THE EMPIRE CLUB

ADDRESSES 1976-1977

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The Empire Club of Canada
1976-1977

Gilbert A. Milne & Co.

William M. Karn
President, 1976-1977

ADDRESSES 1976-1977

The Empire Club of Canada

SEVENTY-FOURTH YEAR

GOD SAVE THE QUEEN

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The Empire Club of Canada

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Preface

The Empire Club of Canada, with the loyal support of The Empire Club Foundation through the generosity of its benefactors and donors, is pleased to present this 74th issue of its annual yearbook. Copies are being distributed to our total membership numbering almost 2,550, and to more than 4,000 libraries from coast to coast.

At the beginning of our 1976-77 club year, we were honoured and privileged to welcome The Right Honourable James Callaghan, P.C., M.P., Prime Minister of Great Britain, whose address reassured our audience of 1,000 members and guests regarding the economic future of our mother country, at a time when there was much concern regarding her ability to cope with major adverse factors.

Shortly thereafter the rise to power within Quebec of a political force dedicated to the establishment of an independent sovereign state presented our club with a challenge unprecedented in its seventy-four-year history. In keeping with our objective of preserving and strengthening a united Canada, we were privileged to provide a forum for outstanding speakers representing many sectors of society from the Atlantic to the Pacific and around the world, who addressed themselves to these and other critical issues with great concern.

We trust that our continuing efforts may assist in some small way in resolving certain of these difficult situations which now threaten our nation. To all who honoured our club with addresses, we express our sincere thanks and appreciation.

William M. Karn
President, 1976-77

The opinions and views expressed in the
addresses contained in this volume are those
of the speakers themselves and do not necessarily
carry the full or partial endorsement of The
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Edited by William M. Karn

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President: 1976-77

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Left to right: MRS. VLADAN MILIC, MRS. JAMES CALLAGHAN, MRS. WILLIAM M. KARN

DONALD STEWART, M.P.

THE HONOURABLE JEAN-LUC PEPIN

THE HONOURABLE IONA CAMPAGNOLO

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THE HONOURABLE WILLIAM G. DAVIS

SENATOR EUGENE A. FORSEY

JUNE 10, 1976

Special Luncheon

FILM "Prince Charles and Canterbury Cathedral"

CHAIRMAN The President,
William M. Karn

MR. KARN:

Your Honour, Your Grace, My Lord, Reverend Sirs, other distinguished guests, ladies and gentlemen: Since our last meeting, our good friend and faithful supporter, our former Honorary Vice-President, His Honour W. Ross Macdonald has gone to his just reward.

The late W. Ross Macdonald dedicated his life to the service of others, which included carrying the burdens of Speaker of the House of Commons, Government Leader of the Senate, and Lieutenant-Governor of Ontario.

Those who knew him will remember him for his warmth and humanity, his great courage and dedication to public service.

Will you kindly stand and observe a moment of silence in honour of our departed friend.

Ladies and gentlemen: I now call upon our Past President, Sir Arthur Chetwynd, to introduce the film "Prince Charles and Canterbury Cathedral".

SIR ARTHUR CHETWYND:

Mr. President, Your Honour, Your Grace, My Lord, Reverend Sirs, distinguished guests, ladies and gentlemen: First, on behalf of His Royal Highness, the Prince of Wales, who is President of the Canterbury Cathedral Trust Fund, Lord Astor of Hevor, who is President of the Canterbury Appeal in England and our own Canterbury Cathedral Appeal Committee, I thank you most sincerely, Mr. President, for arranging this special luncheon meeting in order that we may use this well-known and respected forum — The Empire Club of Canada — to present to you the première screening of a new film in which Prince Charles is the central figure, especially at a time when the Canadian Appeal for the preservation of Canterbury Cathedral begins to get into full swing in our country.

During the next months, as Chairman of the Canterbury Cathedral Appeal in Canada, I shall be showing the film you are about to see in all the major centres across Canada. I am most indebted, therefore, to be given this opportunity to appear before such a large audience in my home town, Toronto.

I am also greatly indebted to you, Your Honour, for graciously agreeing to serve as Ontario Patron for the Appeal. As a small token of our appreciation, I hope you will accept this newly published little book, just off the press, which is a modern story of Canterbury Cathedral. Written by Derek Ingram Hill, who is Canon Residentiary at the Cathedral, it is entitled, *Christ's Glorious Church*, with a foreword by His Royal Highness, the Prince of Wales.

I am sure, Mr. President and ladies and gentlemen, that my latest volunteer job which will continue until the end of the Appeal in September will be relatively easy. To be serving and reporting to His Royal Highness, the Prince of Wales, is a great honour and a great challenge. To be supported by the Lieutenant Governor of my own Province (who is also Honorary Vice-President of The Empire Club of Canada) is most comforting. To be working with so many kind and dedicated Canadians on this Appeal is stimulating.

Perhaps, most important, to me is the evidence of support already being shown by Canadians from all walks of life.

I have been receiving not only generous contributions, but marvellously warm letters indicating that many people care deeply about an important symbol of our history.

Although Canterbury Cathedral is, indeed, the mother church of the Anglican Communion in the world, it is much more than that. Canterbury involves 1,400 years of the history of the English-speaking people. The Appeal, therefore, is truly ecumenical in nature.

For instance, one of the first generous contributions received by the committee in England was a cheque for £1,000 forwarded from the Vatican by His Holiness, Pope Paul VI.

I hope that quite apart from the Appeal for funds to preserve the historic fabric and the priceless stained glass of Canterbury Cathedral, all those of English extraction may find their blood stirred anew. At a time in history when some English-speaking people appear to exhibit signs of suffering from "tired blood", a little Geritol (Canterbury Cathedral style) might help!

Before I introduce the film to your audience, Mr. President, may I make just a few more remarks and introduce a few celebrities from the audience whom I think we would all like to meet. Of course, Mr. President, as you know me for a quiet, retiring chap, you can be assured that I would not presume to make any specific appeals for either "funds" or "films" from this rostrum, although in passing you may have noticed some descriptive brochures at each table which we trust will not only be of historical interest, but perhaps stir *your* blood to other more practical action! I am sure that your favourite branch of the Royal Trust will be glad to look after any of your *requests* or *bequests*!

There are six interesting people I would like to introduce to you, all of whom are involved in our subject today.

First, the newly appointed Chairman of the Canterbury Cathedral Appeal in Toronto, Mr. John Irwin. Mr. Irwin is a Past President of the St. George's Society and the Arts and Letters Club, a former Vice-President of The Empire

Club of Canada and a former Deputy Warden and still a Sidesman at St. James Cathedral — all fine qualifications for his new responsibilities.

Next, I would like to have you meet a member of the Cathedral Appeal Committee in England who is currently visiting in Toronto. Dr. Gerald Knight is a famous musician and former organist at Canterbury Cathedral, now the overseas Commissioner for the Royal College of Church Music. As an aside, Dr. Knight will remember consulting with a number of us from St. Paul's Church last year when we were agonizing over finding a new organist to replace our old friend Dr. Charles Peaker who was retiring. You will be glad to know, Sir, that your advice was taken and our search was most successful. Sitting at the table next to you is John Tuttle, the new organist of St. Paul's, Bloor Street. John and his wife, Diane, became the proud parents of a hefty new son, their third, yesterday.

I spoke of hearing from many people who care for our cause and our history. From the many kind letters we have received, may I read you one to symbolize all the others.

> Dear Sir:
> Please find enclosed a cheque for fifty dollars ($50.00). This sum was raised by students of Grade XIII Humberside Collegiate English classes (3), who are presently studying Eliot's *Murder in the Cathedral*, and many of whom have studied Chaucer's *Canterbury Tales*. All share the concern of the Canterbury Cathedral Appeal, and each expects one day to visit a restored Cathedral.
> With best wishes for a total Canadian success with your target of $200,000 dollars.
>
> Yours truly,
>
> (Mrs.) Mary van Rijn
> Dept. of English

This letter was accompanied with the signatures of 35 young Canadians who are students of Mrs. van Rijn's

Grade XIII English classes at Humberside Collegiate. We are privileged to have here today Mary van Rijn and two of her students, Louise Hayhoe and Peter Grange, representing their class.

Thank you very much, Mary van Rijn, and your students. You set a marvellous example of the interest and concern being exhibited by young Canadians.

Lastly, many of you, I hope, saw a superb one-hour CBC film telecast earlier this year entitled, "The Family Prince". This was a beautiful television film portraying the warmth of Prince Charles and the Royal Family and the place of the monarchy as central to our democratic parliamentary system. The script was written by a talented Canadian whose name is probably familiar — Barbara Moon.

May I now introduce another talented and proud Canadian, Jeanine Locke, the producer/director of "The Family Prince". I am told this program will be repeated on the English network later this year. Watch for it. Also a French version entitled, "A Family Affair" will soon be telecast on the CBC French network. There is obviously reason and health in us yet!!

And now, Mr. President, Your Honour, ladies and gentlemen, I am proud to present to you, His Royal Highness, the Prince of Wales, on film, in "Prince Charles and Canterbury Cathedral".

Following the film, the appreciation of the audience was expressed by M. Gen. Bruce J. Legge, C.St.J., E.D., C.D., Q.C., Past President of The Empire Club of Canada.

MR. LEGGE:

Mr. Chairman, Your Honour, My Lords Spiritual, distinguished guests and fellow members of The Empire Club of Canada.

Having seen this magnificent film and having heard His Royal Highness the Prince of Wales narrate the glories of our English heritage, I consider it a great honour to be asked to express our appreciation to our Past President, Sir Arthur Chetwynd, Chairman of the Canterbury Cathedral Appeal, and to our new President, Mr. William Karn, for his foresight in arranging this special meeting of the club in June.

As one whose family has lived in Canada since 1826, I am familiar with the sharp comment, "You can always tell an Englishman — but not much." Having seen the glories of Canterbury as part of our English heritage, I can understand this comment in a new light. Having heard the immensely talented Prince of Wales, I am delighted that a man of his devotion and sincerity will one day succeed to the throne.

In this forum I thought of today's presentation as it relates to Canada, the crown and the church. A Prime Minister of Queen Victoria, Lord Melbourne, used to say, "While I cannot be regarded as a pillar of the church, I must be regarded as a flying buttress because I support it from the outside." I hope that on behalf of Canterbury, that the "flying buttresses" in this great audience will support Sir Arthur's appeal.

As for the crown, on June 15, 1215, the barons on the fields of Runnymede extracted from King John the great charter — the Magna Charta — of English freedoms and liberties. But long before the crown gave the Magna Charta on the fields of Runnymede, Canterbury was a force for God and for good in that primitive kingdom of England. It was because of the teachings of the church that all men were the sons of God, that the dignity and worth of the common Englishman was recognized in the Magna Charta by a Christian Prince who ruled by divine right. Last week the great charter came to the United States, with the pomp and circumstance of a Guard from the Brigade of Guards, to remain in state in Washington as part of the Bi-Centennial celebration.

In Canada, Your Honour, "freedom wears a crown", and the rights of Magna Charta are enshrined in our democratic practices where the government is carried on in the name of the Queen. In the United States, the same rights, a heritage of the Church and Magna Charta, are enshrined in the Constitution.

Thus, Canterbury as the Cathedral of the Archbishop who is Primate of the English Church has had a great bearing on the traditions and freedoms not only of the English-speaking world but all of Christendom. Above all, this narration of His Royal Highness the Prince of Wales shows the identity of the crown with the exemplary style of the Queen as "Defender of the Faith". The crown is an example of service. Indeed, the concept of "noblesse oblige", that the highest service is required from those most highly placed, is a hallmark of the crown as worn by the Queen of Canada.

I know that on behalf of everyone present, you will join me in thanking Sir Arthur Chetwynd and Mr. William Karn, our new President, for this splendid meeting which has so much meaning for Canada, for the crown and for the church in the Canterbury Cathedral Appeal.

SEPTEMBER 14, 1976

Britain Today

AN ADDRESS BY The Rt. Hon. James Callaghan,
P.C., M.P.,
PRIME MINISTER OF GREAT BRITAIN

CHAIRMAN The President,
William M. Karn

MR. KARN:

Mr. Prime Minister, Mr. Premier, Mr. President, Your Excellencies, Mr. Metropolitan Chairman, Reverend Sir, distinguished guests, ladies and gentlemen: Early in June, when talking to the Hon. Mitchell Sharp in Ottawa about possible speakers for the Empire Club during this coming season, I learned that he had served in Canada as Minister of Finance while the Hon. Mr. Callaghan was serving in Westminster as Chancellor of the Exchequer. Their careers as Secretary of State for foreign affairs in their respective countries also coincided.

I was therefore delighted when Mr. Sharp accepted my invitation that night to attend this dinner, even though arrangements were only in the planning stage.

We are extremely happy to have both Mr. and Mrs. Sharp with us this evening and it is a privilege for me to ask our President of the Queen's Privy Council for Canada to bring greetings to this meeting on behalf of Prime Minister Trudeau.

THE HON. MITCHELL SHARP:

Mr. Chairman, Prime Minister Callaghan, Mrs. Callaghan, Premier Davis, Mrs. Davies, other distinguished guests, ladies and gentlemen: I took the precaution, before arising, to find out if I was still the minister, and I found that that dignity still rested on my shoulders. There seem to be some difficulties in Ottawa in replacing me. Mr. Davis sent me a little note in which he said, "Mitchell: Pierre has delayed the press until 9.30. It's rumoured that he has refused your resignation and you are headed to Finance. Enjoy the rest of your dinner."

It is a very happy occasion for me, as my last official act, to bring greetings from the Government of Canada, particularly from Prime Minister Trudeau, to our speaker this evening, my old friend Prime Minister Callaghan. As your chairman has said, our careers have had some parallel. I first met Mr. Callaghan when I was Minister of Finance and he was the Chancellor of the Exchequer. Later, he went into the Opposition, and then came back to occupy the same position as I was then occupying, namely Foreign Minister. Then our careers diverged. His Prime Minister retired. Mine didn't!

May I say to Mr. and Mrs. Callaghan how welcome they are in Canada. I know from my earlier contacts with Mr. Callaghan that he has looked forward to a trip to Canada for some time, and he has finally realized his ambition. I really do envy the Prime Minister of Britain when I think of the way our Prime Minister, Mr. Trudeau, is worried about replacing his Cabinet. Apparently Mr. Callaghan doesn't have any problems like this. None of his important ministers have offered their resignations.

Britain occupies a very special place in the hearts of Canadians. It is the country from which we derived our parliamentary institutions and our fundamental concepts of freedom. We also sympathize with the problems that Britain is now experiencing. I don't think any of us fails to realize that one of the reasons why the British people today are going through the difficulties they are is the sacrifices they have made on behalf of mankind and of freedom and democracy in the past.

Not only has Britain a very special place, but of course its Prime Minister, even if he is of the political persuasion that he happens to be, always has the respect and the support of the people of Canada in his efforts to make and keep Britain a great country.

MR. KARN:

Thank you very much, Mr. Sharp.

Mr. Prime Minister, Mr. Premier, Mr. President of the Queen's Privy Council for Canada, Your Excellencies, Mr. Metropolitan Chairman, Reverend Sir, distinguished guests, ladies and gentlemen: We welcome warmly to this very significant meeting of The Empire Club of Canada our friends from the Canadian Club of Toronto, the British Canadian Trade Association, the English-Speaking Union, the St. David's Society, and the Board of Trade Club of Metropolitan Toronto, to name a few who have gathered with us to receive our guest of honour tonight.

I say *very significant meeting* because, if my research is correct, only once previously since our club was founded in 1903 has our guest of honour been serving as Prime Minister of Great Britain. That previous occasion was our Diamond Jubilee dinner — February 11, 1964, when Sir Alec Douglas-Home addressed our illustrious gathering in the Royal York Hotel.

However, we do number among our distinguished speakers from Westminster several, who after visiting with us, have risen to that high office of Prime Minister. We mention with gratitude: Mr. Neville Chamberlain, 1922, Mr. Winston Churchill, 1929, the Rt. Hon. Sir Anthony Eden, 1946, and Mr. Edward Heath, 1967.

There is still another category of guest speaker from Britain — those who are hopeful of becoming Prime Minister. Need I mention, Sir, the Rt. Hon. Margaret Thatcher, M.P., who graced our rostrum one year ago this month.

Although our guest of honour has been in Canada previously, he had originally planned this time to visit from Vancouver to Cape Breton in just eight days. In spite of an enforced delay at the beginning — which gave us great concern — he has still reserved this evening to be with us, for which we are most indebted to him.

We pay tribute to that great British scientist, Sir Frank Whittle, who spoke to us in Toronto some years ago, for his invention of the jet engine which enabled our guest of honour to recover all but two days of his intended Canadian tour. It is unfortunate, Sir, that you and your party did not recover even more time by flying over in that $3 billion supersonic monument to Anglo-French scientific and aeronautical achievement, the Concorde.

Our speaker began his political career in 1945, in company with his predecessor at No. 10 Downing Street, Mr. Harold Wilson, as Member of Parliament for his present constituency of Cardiff South, in Wales. Without seeking the office of Prime Minister, he has been preparing for it during the intervening 31 years of faithful public service. He has earned the reputation of being one of the most widely and variously experienced politicians at Westminster. He is also one of the very small group who have held all three major offices of state below the level of Prime Minister: Chancellor of the Exchequer, Home Secretary, and Secretary of State for Foreign and Commonwealth Affairs.

Since he took the helm of the British ship of state, his government has agreed with union and business leaders upon a strategy for economic recovery, the main points of which are wage restraints, higher productivity, increased investment, and a strong drive for exports.

We wish him well during his present negotiations with the seamen, thereby hopefully obtaining complete support for his program. Such an accomplishment in a free society today commands the admiration of us all.

Ladies and gentlemen, it is a great honour for me to give you the Rt. Honourable James Callaghan, M.P., Prime Minister of Great Britain.

THE RT. HON. JAMES CALLAGHAN:

Mr. Chairman, distinguished guests, ladies and gentlemen: My wife and I are very happy to be here at this dinner meeting of the members of the Empire and Canadian Clubs. It gives us the opportunity of saying thank you to many people in different provinces of this, the second largest country in the world, for the kindness and hospitality that we have met during our journey.

It is not given to everybody to fulfil their lifetime ambitions. But I am very happy to be in the process now of fulfilling a boyhood dream to travel the length of Canada and to see for myself its beauty, its diversity, its skill and its strength. This particularly struck me today, when I had the opportunity of seeing from the top of the CN Tower a view of the vast productive complex of industry and development that typifies Canada today.

Canada is a country which excites the imagination of the British people. There are few in Britain who do not have relatives or friends who have come to live here. Only a few days ago I entertained the British athletes who had competed in the Olympic Games in Montreal. Without exception I was told that they had never before experienced such warm hospitality, whilst the administrative arrangements had excelled anything in their previous experience. Canada has made many friends among our young athletes, which will strengthen the ties of kinship and friendship which bind us together.

This extended visit of mine is intended to symbolise Britain's recognition of Canada as a country of great and growing significance in world affairs. This is well illustrated by your expected membership of the Security Council of the United Nations next year, and your joint chairmanship of the Conference on International Economic Co-operation, and of course you are making great contributions to United Nations Peace-keeping Forces, as well as continuing to play an important role in the defence of the North Atlantic and Europe.

The purpose of my visit is to strengthen the partnership between Canada and my own country. Because Britain is an old country it has become the fashion to underrate the great reserves of strength and stability that we possess, the massive technological knowledge and experience of our people, and to ignore the achievements and the process of adaptation and change that is taking place.

Misinformed people talk of decline but let me speak of achievements: our nuclear engineering; our medical and scientific instrumentation; our computer manufacturing; our off-shore oil technology; and our agricultural machinery which supports one of the most efficient agricultural industries in the world.

Our industrial system is an old one, the forerunner for most of the world. Now we have embarked upon a new industrial strategy to modernise and broaden that industrial base. Perhaps the element of this strategy that is most likely to ensure its success is that it is being worked out with the active consent and assistance of employers and trade unionists, working together to analyse and propose improvements in 39 separate sectors of industry. They are agreed on the need to regenerate our industrial structure and it is taking place at a time when we have the good fortune of a growing substantial bonus from North Sea oil. Already this year the North Sea oil will contribute nearly $2 billion to our balance of payments. Next year that figure should be more than doubled and by 1980 Britain will be self-sufficient in our oil supplies. This will be worth more than $11 billion a year, all of which will represent an improvement in our balance of payments.

I repeat that this will be a bonus, for we are working on the assumption that our long term prosperity depends upon a successful regeneration of our industrial system.

We are placing great reliance upon the Social Contract entered into between the government and the trade unions. As a result of this combination of circumstances, Britain has a great opportunity to emerge in the 1980s as a most powerful economy. Britain and Canada therefore have much to contribute to each other, based on our kinship, our history, our understanding, our affection and our joint interests. Yours is a land of great opportunity with a tremendous future, and I shall return home determined to play my part in making our partnership thrive.

We shall be working together in a world whose fortunes and economies are increasingly interdependent — a world which has recently suffered a major industrial recession. In some measure it is true to say that inflation and unemployment have had their roots in national policies, but these twin evils are also products of the world recession. The booms that took place in a number of national economies in 1972 and 1973 took place simultaneously and resulted in an explosion of the prices of commodities and an overplentiful supply of money, whose effects were compounded by the unprecedented leap in energy prices. Together these produced a deeper world recession than we have witnessed since the 1930s. Each country has a responsibility to take its own measures to overcome inflation and reduce unemployment, but there is an increasing understanding that our economies are interdependent and that what one country does may have a major impact on others.

The present preoccupations of the major industrial countries of the world are to achieve a rate of growth in our economies that can be sustained whilst at the same time overcoming inflation and reducing unemployment. As individual countries our economies do not always move in step. Although that is not necessarily a disadvantage, for my country it is a matter of concern at the present time that the rate of growth of industrial activity in a number of other countries is slowing down, for at this very moment our economy is beginning to grow faster. It will be important to ensure that all our countries maintain a rate of economic growth that can be sustained in the longer term. Both Canada and Britain must play an active part in international discussions to achieve this end.

It is a matter of concern that in the ten major industrial countries as a whole there has been virtually no change in the total level of unemployment during the past year. It is falling in very few countries and in some countries it is still rising. There is as yet no international agreement as to whether all our policies will ensure that unemployment falls to the levels to which we have become accustomed since the Second World War. I confess to some doubts as to whether they will and add that people will not be willing to accept a situation in which the statesmen of the world seem to be incapable or unwilling to develop policies to overcome the scourge of unemployment, particularly among the young. I cannot accept the idea that large numbers of young people must leave school to go into unemployment. This is socially and morally corrupting and disastrous. In the United Kingdom we are exploring new ways of ameliorating the effects on young people in the present recession, and some very imaginative schemes are being developed; but both here and with my colleagues in the Council of Europe I shall be laying great stress on the importance of finding lasting solutions to the whole problem of unemployment. It must be our continuous task in our international discussions to find lasting solutions.

One particular problem I must raise is the future of those economies — Japan is a near example — with vast balance of payments surpluses. Their output has risen strongly, their exports have leapt ahead, but their imports have lagged behind. This situation is causing concern in Britain and in other countries of Europe and the world. Of course we want to boost world trade — the UK is nothing if not a trading nation — but trade must be reciprocal. For example, as a result of her policies Japan had a balance of payments surplus of $2.8 billion in the first six months of 1976. I advance the view that the world cannot achieve a healthy balance in its economy on the basis of vast export surpluses in certain countries and that whilst we all have a responsibility to correct this imbalance, a major responsibility rests upon the surplus countries themselves.

We should not fall into the error of assuming that the western industrialised world is alone in its troubles. Eastern Europe has its problems too. Not all of the targets of the last five-year plan in the Soviet Union were achieved. Consumer interests in the Soviet Union seem to be accorded a rather lower priority than they have had in recent years despite their importance as incentives to greater productivity. Mr. Brezhnev himself has stressed the difficulties which the Soviet Union will need to overcome because of the increasing cost of extracting raw materials, and because of the Soviet Union's need to invest heavily in their economic infrastructure at a time when the labour force will be growing at a smaller rate. It may be that the Soviet Union's economic growth will itself slow down during the next five years. At the same time, eastern Europe has accepted very large credits from the west for its own industrial development, and their indebtedness to the rest of the world has increased substantially.

There are those who argue that growth in the east/west trade, particularly if financed by credits from the west, will serve only to assist the growth of Soviet armed strength. Whilst we should take due note of the fact that the Soviet Union has in fact been building substantial armed forces, nevertheless I believe that the development of economic relations can increasingly involve the Soviet Union in a more stable and beneficial relationship with the west which it will not be in their interest to disturb. This policy has become known as détente, and as a signatory of the Helsinki Agreement we accept its implications in all the fields of economic relations, cultural exchanges and human relationships and we look to all signatories to do the same. Nevertheless, we should give the Soviet Union no reason to underestimate the long-term risks to this agreement if they pursue policies in parts of the world other than Europe that are at odds with the policy of détente.

We have in common with the Soviet Union the desire to achieve a sufficient degree of stability to avoid the horrors of war. We proceed on the assumption that the Soviet Union is in earnest in its wish to improve relations between states. We must nevertheless not lose sight of the fact that, as the Russians' own statements have told us, the ideological struggle will continue. Nor must we be blind to Soviet priorities in the third world. Britain stands for the right of the people of Namibia and Rhodesia to free themselves, and the west must beware of being wrong footed in the struggle that is going on in these territories and which will gain momentum.

In my judgment we are at the moment making the correct response. The mission of Dr. Kissinger to Africa is one which I welcome wholly, for he is proceeding on a basis which recognises that the black community in Rhodesia must secure their own majority rule and their independence, whilst offering the white minority a secure future. In Namibia also the policy is clear, namely that this territory should become independent and free. In South Africa it is the policies of apartheid which will fail, for these policies are not morally right.

This brings me to the question of the current dialogue at the Conference for International Economic Co-operation between the industrialised countries and the developing world. We owe a considerable debt of gratitude to Canada for providing a joint chairman of the Conference in the person of your Minister of External Affairs, Mr. MacEachen, and for his skilful and patient co-chairmanship. We are particularly glad that the Conference has now got back to work and we attach great importance to a satisfactory conclusion to the Conference in December. Britain, like Canada, will play her full part. Our position on a number of unresolved questions is well known and we shall take a positive and constructive attitude in order to try to ensure the success of the Conference.

If that success can be achieved it will provide a useful forerunner to the Commonwealth Prime Ministers' Conference which will take place in London next year. This Conference, now made up of 36 member nations, will represent another stage in our efforts to strengthen the developing nations of the world. It was for this reason that two months ago, when we in Britain cut our public expenditures in almost every field, we left untouched the sums that we had voted for the purpose of overseas development and aid to the poorer countries of the Commonwealth and other parts of the world.

Coming to our own affairs, I do not see in any way that Britain's membership of the European Community has weakened our relationships with Canada. Indeed we warmly supported, and gave every encouragement to Canada to become the first developed country to reach an agreement of commercial and economic co-operation with the European Community. But we naturally do not wish to see the Community supplant our relations with you, based as they are on our historic ties and our close personal relationships.

We shall continue to look to you as a secure economic and industrial partner, a secure source of supplies of all kinds, not only the traditional food and raw materials but also your industrial products. At the same time we wish to sell you more than you buy from us at the present, and I am sorry to see that Japan is now the second largest exporter to Canada instead of Britain. We have much that we can offer you in capital and industrial goods as well as consumer goods, and I was very happy to hear in some of the western provinces that they feel that British business is playing its full part in taking advantage of the growing economic development of those provinces. In the field of aero-engines there is a prospect of doing worthwhile business and we also see prospects for co-operation between your Department of Energy and Mines and our own National Coal Board which has developed new coal-producing equipment and new and different techniques for coal utilisation. The British government is encouraging

British industry to develop further its trade with your stable and expanding market, not only in eastern Canada, but also in western Canada. We are ready to explore with you co-operation in all industrial fields that can be of mutual benefit, for our countries have a common understanding and a common outlook.

Our two governments share a deep commitment to containing the dangers of further proliferation of nuclear explosives. We both act responsibly as nuclear exporters and accept safeguards on our civil nuclear installations, and we hope soon to conclude a new arrangement with you to cover civil nuclear transfers. There is considerable nuclear co-operation between the two of us in a field in which we are amongst the world leaders. It is our desire that this co-operation should develop to the benefit of both our nations. We hope that eventually all countries will realise, as we have done, that the acceptance of international safeguards of the full nuclear fuel cycle is the best way to build up international confidence in a world régime that will prevent proliferation and so ensure the safety of the next generation.

Finally, a further word about Britain's industrial regeneration and the Social Contract, a concept which I find is of increasing interest to other countries. This understanding, reached between the trade unions and the government, is not only about wages and labour relations. If it were so, it would not endure. An essential condition for its success is that the government takes the trade unions actively into consultation about new government policies, especially in the economic and social fields. It is more than a matter of keeping the trade unions informed of what government is doing or proposing. It is a meaningful consultation about alternative policies and about priorities in the social field. As such it has already begun to produce valuable results and has stood up to many strains. You are aware that since last year the trade unions have voluntarily undertaken to limit their wage settlements. Only last week a proposed strike by our seamen, against what they regard as the rough justice of the last pay deal, was averted by the intervention of the other trade unions themselves.

The time has come to correct the fashionable impression that because of some well-publicised disputes Britain is a strike-ridden country. It does us immense harm and is not true. Last year was a good year, and as for 1976, so far we have had fewer stoppages that at any time since the early 1950s. Indeed if you will allow me to say so, our strike record is better than either the United States or your own.

The Social Contract has contributed to this improvement and has also enabled us to launch a combined attack on the problem of inflation. I am glad to say that our inflation rate has gone down dramatically from over 26% to about 13% during the last twelve months. The trade union movement is at one with the government in the view that the best long-term method of reducing our unemployment is to overcome the problem of inflation, and they have given their full support in this difficult task.

As part of the Social Contract the government has given undertakings to ensure that the worst-off section of our community does not suffer unduly. Following on this, there has been agreement among ourselves between government, industry and labour together, that the balance of payments, increased investment in our manufacturing industry and the better use of our existing investment must take priority both over personal consumption and over our desired social objectives. The results are to be seen in our rising export figures which during the first seven months of this year have gone up by 6½% in volume compared with the same period last year. I do not know whether what is happening in Britain has any significance for other countries for conditions are everywhere different. But it may be that we are pioneering in a new approach to overcome problems that are being experienced by all the western industrialised countries in a greater or lesser degree.

We are now at a watershed in Britain's history. I believe there are rational grounds for optimism, for Britain is better poised now to achieve a new industrial thrust and new and stable prosperity than it has been in my lifetime. The British people know that this will not be achieved overnight nor without considerable effort, but we are working towards a Britain that will be economically powerful and socially just.

MR. KARN:

Ladies and gentlemen: I now call upon Mr. Alan Leal, our immediate Past President, to express our appreciation.

MR. LEAL:

Mr. President, Mr. Prime Minister, Mr. President of the Privy Council, Mr. Premier, Your Excellencies, and ladies and gentlemen: There may be those of us who were concerned lest the Prime Minister of Great Britain might not be able to accept our invitation due to yet another crisis at home. In this connection I am reminded that at one stage during the Second World War, the gentlemen of the press were nipping at Churchill's heels for some alleged indiscretion involving Cabinet secrets. During that altercation, Churchill, as Chancellor of the University of Bristol, was addressing a group of students. He said to them, "Thank you very much for inviting me here. I appreciate it, particularly since I read in the newspapers that I am in a bit of a fix."

It would appear that in our world and in our time, crisis is endemic. I suspect that in these circumstances it takes a high degree of courage and a special kind of "un-wisdom" to accept the reins of office and particularly the burdensome duties of the high office of Prime Minister of Great Britain. I am aware that crisis diplomacy is neither new to the office nor new to the man. It was Palmerston, I think, who said, that all his difficulties should be attributed to rotten Irish potatoes. There is some of that problem left, unhappily.

Mr. Prime Minister, there is one point on which we, as Canadians, would deign to offer you advice. In the aftermath of the Kilbrandon Report, involving the aspirations of the Scottish nationalists, the Welsh nationalists and any other nationalists about, we in Canada can be of good advice to you in Britain, because we have solved the problems of a federal state. Indeed, the Premier of the province tells us that this week we are about to solve them again! Mr. Prime Minister, I think if we have not solved them, we may with you strive that those problems which we cannot solve and will not solve we may learn to live with in a more civilized way.

Sir, may I say to you that it is a privilege indeed, a rare privilege and an honour, on behalf of the burghers of Metropolitan Toronto, the members of The Empire Club of Canada and their guests here this evening, to thank you most sincerely, and Mrs. Callaghan with you, for your presence here, and to also thank you for your address. Please accept our sincere appreciation.

MR. KARN:

And now, ladies and gentlemen, may I say on your behalf how highly honoured we are, tonight, in having with us the Honourable William G. Davis, Q.C., and Mrs. Davis, to assist in hosting our guests from Britain.

I am delighted to call upon the Premier of our Province to bring greetings to Prime Minister Callaghan. Mr. Davis, please.

THE HONOURABLE WILLIAM DAVIS:

Mr. President, Mr. Prime Minister, Reverend Sir, High Commissioners, Mitchell, Mr. Chairman of Metropolitan Toronto, ladies and gentlemen: The reason I say "Mitchell" is that I am informed that the Cabinet shuffle has now taken place and you have not become Minister of Finance as I rumoured to you a few moments ago.

I am delighted to bring greetings to you, Mr. Prime Minister, and to your very charming wife, on the occasion of your visit to Ontario. I have to be very careful, because under our constitution, premiers of provinces are not to have any dealings with heads of state of other countries. We have to do it *sub rosa*. If you have a surplus of oil, I would be delighted to discuss it, because we need it, and I'm prepared to publicly commit the province of Ontario to $7.50 a barrel, laid down at Come-by-Chance!

The Prime Minister of Great Britain has been on a trade mission of his own. He has been explaining to people across this country about what is happening in the United Kingdom. He sold Peter Lougheed, for Pacific Western Airways, several Concordes when he was there. We can't afford them in Ontario. He bought a little bit of the potash action from Blakeney. That is consistent with your political philosophy, Sir!

Sir, I would like to make a small presentation to you from the people of the province of Ontario, to let you know how much we appreciate your visit. You have expressed to every one of us tonight a sense of optimism which we share. The people of our province have always had a great feeling for Great Britain, a feeling which has endured for many generations. On their behalf, I would like to present you with this small memento of your visit to the province of Ontario.

Mr. Davis made a presentation of a Trillium brooch to Mrs. Callaghan and a pair of Trillium cuff-links to Prime Minister Callaghan.

OCTOBER 7, 1976

The Current Scottish Situation

AN ADDRESS BY Donald Stewart, M.P.,
PARLIAMENTARY HOUSE LEADER,
THE SCOTTISH NATIONAL PARTY

CHAIRMAN The President,
William M. Karn

MR. KARN:

Reverend Sir, distinguished guests, ladies and gentlemen: When local representatives of the Scottish National Party Association asked last April whether or not the Empire Club would be able to provide a forum for their parliamentary leader from Westminster during his visit to Canada this fall, my curiosity was aroused. Being mindful of the great contribution made by our Scottish ancestors to the economic and political development of Canada and the creation of our parliamentary system of government, having been born and raised in that Scottish community of Zorra, over in Oxford County, and having visited in Scotland, I was interested in learning more about contemporary Scottish politics.

I also felt that the Empire Club would be adhering to its non-partisan tradition by hearing a speaker explain to us the objectives of the Scottish National Party.

Hardly a day goes by without news items appearing in the press of Britain about the S.N.P. When I was there two weeks ago, I read about the success of the S.N.P. representative over the Labour candidate in a regional county by-election in Glasgow. I also noted attacks upon Winnifred Ewing, the first S.N. Member of Parliament in Westminster, elected in 1966, representing the city of Hamilton, because her son was holding a responsible position in the E.E.C. offices in Brussels.

An item of particular interest to you, ladies and gentlemen, was a report in the *London Times* of the statement made in Edinburgh on September 20, 1976 by Lord Home of the Hirsel, former Leader of the Conservative Party, and the guest of honour here at our Diamond Jubilee dinner in 1964. I quote:

> I have always been strongly against the separation of England from Scotland but I am firmly in favour of devolution so long as it is judged by the criteria of better government.

Lest you think that this statement was an endorsement by the Conservative Party, I hasten to add that the heading for this article read: "Tories disturbed at suggestion in Home speech of proportional voting for a Scottish Assembly."

Delving further into the use of the term "devolution" as it applies to the decentralization of power, I discovered that Gladstone, when a member of the Liberal opposition, referred to this concept in his speech in Parliament on February 28, 1880 — 96 years ago — as follows:

> . . . the day when there may be wisely devised and successfully carried through the House an important and effectual measure for the devolution of such portions of its powers as may be safely devolved, with the view of lightening its duties.

Later, in 1886 and 1894, Gladstone's third and fourth ministries were defeated largely over his bills on Home Rule for Ireland. In the modern context, devolution may be almost synonymous with Home Rule for Scotland.

I recall a favourite pronouncement of a retired General in Ottawa who said: "We Scots may suffer, but never in silence."

Our guest of honour today began his political career when he was elected Provost of Stornoway in 1958, an office to which he was re-elected in 1961 and 1968. In addition, he was appointed Honorary Sheriff in 1960. He commenced to take an active part in the S.N.P. in 1966, and won the Western Isles seat in 1970. Because Winnifred Ewing was defeated that year, he was the sole representative of the party in Westminster.

In the February, 1974 election he and six others of his party were elected, and our guest was chosen their Parliamentary Leader. Again in October 1974, he was re-elected along with ten other S.N.P. candidates. By this time the S.N.P. had become Scotland's second party, with over 31% of the votes cast.

Ladies and gentlemen, it is a pleasure for me to give you Mr. Donald Stewart, M.P., Parliamentary Leader in Westminster of the Scottish National Party.

MR. STEWART:

Mr. Chairman, distinguished guests, ladies and gentlemen: It is a great honour for me to have been invited to speak to the Empire Club and to know that a speech of mine will be added to the long record of addresses to the club. It is particularly gratifying on my first visit to Canada, in view of the many associations with my part of Scotland and your country.

Let me mention some of these briefly. Our people have been coming to Canada over many generations. I have just spent a week in Nova Scotia with a sister who lives there and I have been tremendously impressed at the similarities to the Highlands, in the names of people, place-names, and the number of Gaelic-speakers. Of course, you have trees, which we lack in the Scottish islands, although there is an old Norse saga which describes how the Vikings set all the trees ablaze. An unkind person to whom I related this fact said to me "The only thing wrong with that story is that the trees were never dry enough to burn."

Sir Alexander Mackenzie, who traced your great river to the sea, was a fellow townsman of mine. A plaque in Stornoway marks the site of the house where he was born. The town of Ripley, Ontario was founded by folk from

Stornoway and when I was a member of Stornoway Town Council, we had the pleasure of giving them a vellum scroll to mark their hundredth anniversary. In the 1920s, C.P.R. ships carried three thousand Highlanders to Canada. I am called after an uncle who served with the Canadian Infantry Battalion in France in the First World War and whose name is among the dead on the Memorial at Vimy Ridge. So these are some of the developments which cement the close ties.

It will come as no surprise to you, then, that my remarks today are on the subject of "The Current Scottish Situation". Most of you will also be interested in the British situation in view of the recent news about the pound, but all I will say on that today is that I do not believe that there is anything there that cannot be put right given the will and the right decisions.

Now I am speaking as a politician committed to a certain cause but I am not trying to convert anyone. I would be very pleased to undertake that elsewhere, but if anyone detects any such attempt I will be as surprised as the cannibal who was eaten by the missionary. I hope my facts will be accurate and where I state my opinions I hope it will be clear that they are opinions.

The people of Scotland successfully maintained their separate independent state for sixteen centuries against aggressors, from the Romans to the Tudor kings. Then the Treaty of Union with England was signed in 1707. This 270 years of union has led people to say that it has lasted too long to be broken. But Norway and Sweden were one country for six hundred years and only separated around 1906. They have prospered and lived as good neighbours ever since and I see no reason why, when Scotland has resumed her own government, we cannot do the same with our English neighbours.

The union was never total. Scotland retained her own state church, and the local government system, education system and legal system are entirely different from England's. This has preserved a Scottish identity which, while it may not be any better than England's, is certainly very different.

Scotland now lacks only a sovereign parliament of its own to give it back the essential apparatus of a nation-state. I have heard quite often recently the phrase "bringing back the constitution", but Scotland, or the part of it which supports my party, wishes to carve out a new constitution.

Now you will ask, what are the aims of my party. I will state these in the words we have used from the foundation of the party in 1928. These are: "Self-government for Scotland: that is, the restoration of a Scottish National Sovereignty by the establishment of a democratic Scottish Parliament, within the Commonwealth, freely elected by the Scottish People, whose authority will be limited only by such agreements as may be freely entered into by it with other nations or states or international organisations for the purpose of furthering international co-operation and world peace."

Since the 1960s the growth of my party has been substantial. We have doubled our vote at the last four general elections, going from 2% in 1964, to 5% in 1966, to 11% in 1970, to 21% in February 1974 and to over 30% in October 1974. In local elections where candidates go forward on a party ticket we have had a phenomenal run of victories. It is my forecast that at the next general election we will make a further advance and with support for both Labour and Conservative dropping away, my party might hold the balance of power in the U.K. parliament. It goes without saying that we have brought this possibility to the notice of our English colleagues. Reverting to our support, it is a fact that we were the only party in Scotland which did not forfeit a single deposit at the last election and we were a good second in no less than 42 of the seats we have still to win.

My party has been accused of wanting to take Scotland out of a strong position as part of the United Kingdom, but we maintain that we seek to have Scotland rejoin the independent nations and make the Scottish contribution. In a recent document we said, concerning Canada, "In the case of Canada, such contacts (that is, bilateral contacts at governmental levels and through the encouragement of increased social and cultural exchanges) will be reinforced by common membership of the Commonwealth, by the close social and cultural bonds created by the exceptional and sustained level of emigration from Scotland to Canada and by the fellow feeling of two countries each of which shares a land frontier and a high level of interdependence with a disproportionately large number." I think that a Canadian audience can appreciate that point!

It is the contention of my party that Scotland is one of the fortunate countries that can largely feed its own people from its own resources. For instance, we are able to supply our total needs in beef, mutton, poultry, milk, oats and fish. As regards fish, half the landings in the U.K. are in Scottish ports. That is why the Common Market fisheries policy is unacceptable to our fishermen.

We have also to defend ourselves against the charge that Scotland is too small to be an independent nation. In fact, we are larger in area than Belgium, Switzerland, Denmark and Eire, and larger in population than many countries which take care of themselves without any problem. I do not believe that economics controls everything. If the resolution and the will exist, practically any nation could go it alone. I have heard it said that economists can prove that life could not be supported where the Eskimos live, but since they don't know many economists they manage to get by.

I would contend that smallness is an asset. There is growing evidence that the nations that will come off best in the future will be those whose land and resources are in relationship to their population such as Canada and Scotland. We also see decentralisation of economic planning and administration as essential to a civilised society. Scotland, particularly the outlying parts, has suffered severely from the concentration at the so-called "centre". It is the aim of my party to adopt the philosophy of Norwegian governments who take action to see that communities in the far north of that country have as good a chance of economic development as Oslo.

How will Scottish independence be achieved? The Scottish National Party has committed itself to the parliamentary and democratic process for nearly fifty years, against all the odds and accepting all the difficulties which hamper a minority party in the British voting system. Now that the S.N.P. is within sight of achieving majority support through the ballot box there are suggestions that the rules should be changed, but we maintain our moral and political right to insist that if the party wins the approval and support of the only politically sovereign body it will finally recognise, the Scottish electorate, then it has the right to insist on that sovereignty. We take our stand on the rock that represents the right of the Scottish voter to determine his constitutional future. First and last we are democrats. We have rejected all suggestions of other roads in favour of winning the democratic support of the Scottish people. In no way is the S.N.P. anti-English. In fact, we have many English people in our membership. Some have been candidates, and our treasurer of many years is an Englishman. You cannot get greater tolerance than that!

As you may know, after the British parliament resumes this month, a bill for Scottish devolution is due to start on its way through parliament. The terms of this bill fall far short of what my party desires for Scotland. Nevertheless, we have undertaken to support it while at the same time maintaining our aim of independence. There are serious doubts whether this bill will be passed. Opposition to it is strong in both the Labour and Conservative parties. If it fails, then, as sections of the British press are warning the government, the next election will see the S.N.P. sweep Scotland.

There are demands too for a referendum. These come in the main from opponents who think they see a way of delaying and perhaps killing the movement for self-government. It is not beyond the bounds of possibility that the government will allow a referendum, although they have said there is no intention to do so. It is a fact, however, that we have asked every British Prime Minister from Churchill to Wilson for a referendum on the subject, and in every case they have replied that we should get our support at the ballot box. They said that is the way we do things in this country — and if you get it, nothing can stop you. If the rules are changed now, the reason for doing so will not be lost on our supporters nor, I believe, on the Scottish people as a whole.

It is my view that the years just ahead will be great ones for the Scottish people and particularly the young. We have a lot of leeway to make up at home; we shall be making a contribution as part of the community of nations. Victor Hugo said "Greater than the tread of mighty armies is the power of an idea whose time has come." I believe this applies to the desire on the part of an ever-increasing number of Scots to resume control of their own affairs.

The appreciation of the audience was expressed by Col. R. H. Hilborn, M.V.O., M.B.E , C.D., a Past President of The Empire Club of Canada.

OCTOBER 14, 1976

Canada and the Anti-Inflation Program—One Year Later

AN ADDRESS BY The Honourable Jean-Luc Pepin,
P.C., M.P.,
CHAIRMAN, ANTI-INFLATION BOARD,
FEDERAL GOVERNMENT OF CANADA

CHAIRMAN The President,
William M. Karn

MR. KARN:

Mr. Chairman, Reverend Sir, distinguished guests, ladies and gentlemen: We are encouraged and most appreciative of your interest in today's meeting.

At the outset, in order to keep our guest of honour and the Empire Club above reproach, I wish to correct any misconceptions arising from news items regarding this meeting, even though this point has been emphasized to the press. Arrangements for Mr. Pepin to speak to us on October 14, the first anniversary of the Anti-Inflation Board, were made in June, long before the Canadian Labour Congress announced its intention of staging a national day of protest.

We were not playing games. We recognize the critical importance to Canada's economic well-being of controlling inflation. We commend all of those in various departments of government — in industry and in agriculture — whose combined efforts have caused our 1974 inflation rate of 12% to decline to an indicated annual rate at year end 1976 of 6½%.

This economic factor, taken statistically, should be good for Canada. But politically there are undesirable side-effects, brought on largely by apprehension about what the future holds for Canada and in particular about our ability to compete internationally with the industrialized countries of the world.

When I first asked the Honourable Mr. Pepin to speak to us, his staff must have thought that we were the Romans inviting their Christian to meet for lunch at the Colosseum. They declined that invitation on his behalf.

Shortly thereafter, I presume that our guest speaker himself may have heard of our request. Realizing that this audience, which he had addressed in 1970, would consist of that group of business and professional leaders who have honoured both the letter and the spirit of the law which established mandatory controls on prices and incomes one year ago, he readily agreed to address us.

Moreover, Mr. Pepin's price was right! No organization has done more to hold down the inflationary spiral than the Empire Club. We have not raised the honorarium one cent above the zero level established when the club was founded in 1903.

Drummondville, Quebec was the birthplace and home of our guest of honour until he attended the University of Ottawa to study arts, philosophy and law, and l'Institut des Études Politiques de Paris to study political science.

In 1952 he joined the Faculty of Social Science at the University of Ottawa, giving courses in Canadian government, diplomatic history, international law, and political theory. In 1959, after a two year term in Europe representing the National Film Board, Ottawa University named him director of its Department of Political Science.

It was inevitable that Mr. Pepin should practise his theory, and from 1963 to 1972 he represented Drummond-Athabaska in the House of Commons, serving with distinction on the Privy Council from 1965 onward as Minister-without-Portfolio, Minister of Mines and Technical Surveys, Minister of Energy, Mines and Resources, Minister of Labour, Minister of Industry and of Trade and Commerce (two departments which he merged).

Although the electorate of his riding withheld their support in 1972, industry embraced him, and several major corporations elected him a director. He also established his own international trade consulting firm, Interimco Ltd., of which he was president.

With this commendable academic, political, and commercial background he was the ideal candidate for the position of Chairman of the Anti-Inflation Board, to which he was appointed October 14th, 1975, after resigning from his directorships and Interimco.

It is an honour for me to invite the Honourable Jean-Luc Pepin to speak to you on the subject "Canada and the Anti-Inflation Program — One Year Later".

THE HONOURABLE JEAN-LUC PEPIN:

Mr. Chairman, distinguished guests, ladies and gentlemen: The Prime Minister said recently that our dear country has two major problems to solve: inflation and bilingualism. The last time I was here, at the Empire Club, on January 15, 1970, it was to talk about the *other* major problem, *bilingualism.* After explaining the then new terminology of bilingualism — institutional and individual bilingualism, the languages of service and the languages of work, receptive bilingualism, I tried to justify the policy in cultural, economic and political terms.

I thought I had a few quite quotable quips: "We have people in Canada eager to work for the unity of foreign bilingual countries, like Cyprus and Biafra, but less keen to work for unity among English and French-speaking Canadians." "It's easier to die for the woman you love than to live with her in harmony!"

Tongue in cheek, I also suggested the use, to promote bilingualism, of some commercial slogans popular at the time. "Does she or doesn't she" speak French? "The man of distinction" is bilingual. Bilingualism "for those who think young." And from an ad for deodorants: Bilingualism, "it takes away the fear of being close!"

Looking back it appears that my speech of 1970 may have been a medium term investment! Unlike today's, I hope!

There have been so many speeches, articles, and radio and television interviews marking the first anniversary of the Anti-Inflation Program that it is not very easy to be original.

The normal thing for me to do would have been to present the traditional annual report to the shareholders, i.e. all Canadians. But this will be done in a particularly thorough fashion, when in a matter of days, Mr. Macdonald, the Minister of Finance, tables in Parliament the A.I.B.'s first Annual Report. It will contain a fairly extensive analysis of the workings of the program, its administration, the results obtained, both on prices and on compensation.

In these circumstances, perhaps I can best use the time at my disposal today by presenting more personal observations on the first year of the program, with the emphasis on *psychology* more than on economic and social statistics.

One of the main purposes of the program is to lower expectations of more inflation to come in the determination of prices and incomes. Hence the role of collective psychology in its development is obvious. The success of the program depends on its structure, the skill, or lack of it, with which it was introduced and is administered, but also very much on the attitude that Canadians adopt towards it. What has been, what is the attitude of Canadians *vis-à-vis* the program, *vis-à-vis* the Price and Income Policy in particular?

Backing into Controls

Let's be frank. The psychological foundations of the controls program were thin, shaky . . . weak from the start.

Why? The situation, last October, was quite confusing!

Prices were going up, some without apparent justification, in anticipation of cost increases; other increases were quite justified . . . but not often perceived as such. Governments, federal and provincial, it was generally believed, were spending more than the economy could afford but could most often relate this spending to the requests of the public. But no country has ever had a "big inflation" without the "co-operation" of governments and the central bank!

Wage demands were becoming more and more detached from the realities of economic growth, productivity, unemployment and international competitiveness, but were made with an eye on the higher business profits of recent years, which in turn were held by the business community to be "illusory" because of the effects of inflation on business accounts.

Our political leaders had failed in 1974–75 to develop a consensus on voluntary controls. The public obviously did not take the problem seriously.

The federal government party had often said or implied that inflation would "go away", and had opposed mandatory controls just a few months before.

Most professional economists and commentators believed that, with the United States coming out of its recession into a moderate recovery without new inflationary pressure, things would straighten themselves in Canada, in due course, soon.

Most Canadians had not yet personally been bloodied by inflation. By Argentinian or British standards our rates were not too bad. Decisions were taken that managed to postpone the agony.

It was indeed a mixed bag of conditioning factors!

The debate at the time was mostly on who was most guilty for "stagflation" — the governments, labour, businessmen, "the others", and not on inflation, its causes, its effects and its remedies.

The thought that most of us could be collectively responsible in a diversity of ways for the malaise was not strongly expressed. Consequently, the precise reasons for price and income controls and how they fitted into the overall economic scene had never really "soaked into" the national conscience. Consequently, when controls were put on, there was no great surge of national will, energy and dedication, as one expects in moments of recognized emergency.

For fear of becoming the sacrificial lamb, official labour opposed controls; for a diversity of reasons, the opposition parties voted against the Act of Parliament creating them; some provinces delayed their entry into the program; businessmen approved of them *mostly* because they had lost control over their wage negotiations and were hoping that governments would be forced to reduce their expenditures.

The general public mood was that "something had to be done" but the why, the what, the by whom were uncertain. Only the "to whom" was clear enough: it was "to somebody else, not me." The "why me?" point of view of the C.L.C. reflected pretty well the feeling of nearly all of us.

All that is understandable and explicable in historical and psychological terms, but it is nevertheless *regrettable* because fighting inflation together would have been good for the program, obviously, but also for the national psyche.

Anyway, the government acted and many Canadians have made it clear that they don't like the action taken. But what alternative do they have in mind?

Would they prefer the exclusive use of fiscal and monetary policies? Would they be happier with that approach, bearing in mind that it would have loaded the burden of the battle against inflation so much on some people and so little on others? The sufferers would include, first and foremost, the additional unemployed. They would also include those whose incomes would have slowed down or even fallen while others in stronger positions would have been able to protect themselves from the pressures of a weaker economy. A temporary controls program is intended to keep to a minimum such unfairness in the impact of slowing increases in incomes and prices. Controls reduce or indeed eliminate the heavier sacrifices that would otherwise be imposed in a pure demand-management attack on inflation.

And a business audience, which may well find it difficult to accept the temporary limitation on profit growth by regulations, should not forget the severe declines in profits that can occur if sharply restrictive fiscal and monetary policy are alone relied on to squeeze inflation out of the system.

Even with an understanding of that point, people do not like controls and attack them from all sides. Part of the attack has been about the way in which controls were introduced and have been administered. I admit freely that the job has not been done perfectly. We have made mistakes. The need to change the price and profit rules has added to uncertainty and annoyance. The new rules are better. I wish we had had them in the first place.

It has been quite a year at the A.I.B.!

But what were the consequences of this shaky start, of this imperfect implementation? Can the program succeed without positive general support?

Ambivalence

Because Canadians "backed" into controls — "defensive", "suspicious", slightly "confused and disoriented", as Judith Maxwell commented in a recent essay, *Searching for a New Sense of Value*, most of them, singly and as members of interest and pressure groups, have been and are still ambivalent about them.

Ambivalence is defined by my dictionary as "simultaneous attraction towards and repulsion from an object, a person, an action." Remember Doctor Freud and the love-hate complex! The fact is that Canadians can be and are, in good faith, with a good conscience, for and against the anti-inflation program, the price and income controls in particular. They can, like sick people — and inflation is a sickness of the collective body — want recovery and hate the remedy, both hate the doctor and love him if he cures them and if they can put the bill on the health plan! They can, personally or via their representatives, accuse the program of being at the same time too soft and too harsh, too soft on others and too harsh on them.

Eric Nicol, the humorist, has described this mood of ambivalence very well (*Vancouver Province*, Sept. 25, 1976):

> I too have been hit by (an A.I.B. wage) rollback. You never think that it can happen to you. . . . At the moment of impact it is very difficult to believe that what the A.I.B. has done to you is for the good of Canada. . . . Because it is inflation we are fighting, rather than Adolf Hitler, the sacrifice evokes a two finger salute not found in military manuals. . . . I wanted to exempt myself from the war against inflation on religious grounds. The A.I.B. violated my belief in the Almighty Buck.

The country is full of Eric Nicols! I meet them every day, on the street, in planes, in my office. They are not without sympathy: "You have a lousy job . . . I wouldn't take it . . . the Board is hurting me . . . look, here is my blood . . . but I agree, it was necessary. Something had to be done!"

Groups react the same way. Ambivalence is at the root of the attitude of official labour. The Canadian Labour Congress can't lose. If the program fails: "We told you so." If it succeeds: "It was because of our constant opposition that it was half decent." In the meantime most labour leaders, after exercising pressure on the A.I.B. by way of requests for reviews, references to the administrator or to the cabinet, occasional strikes, implement the recommendations of the A.I.B. or the orders of the administrator. If inflation goes down, they will be justified; if it doesn't, they'll be justified in asking for the reopening of agreements, on the basis that circumstances will have changed.

In Britain, the T.U.C. has recently, now that it is clear that the alternative spells disaster for all in the U.K., taken a much more positive view of controls! Last June 16, Mr. Norman Willis, Assistant General Secretary, declared:

> The policy before this Congress is a demanding one; for some it once again means short-term sacrifices. But what we have seen in these last few weeks is a growing reaffirmation by our Movement that making these short-term sacrifices is much more sensible than suffering inflation and unemployment on a scale beyond all our experience. . . .
>
> The policy did something even more important than the figures can yet show directly. It broke through the vicious circle of inflationary attitudes, in which people quite understandably based their demands on expectations of a higher and higher rate of inflation, thereby often contributing to the very process they were seeking to protect themselves against.

Ambivalence is also at the root of the attitude of official business, for example, of the Chamber of Commerce. They too can't lose. In its last resolution, the Chamber says "We cannot continue to support the program, as currently structured." It goes on: "We could support it if it included three points: 1. The burden of fighting inflation should be borne more evenly by business, labour and government. 2. Investment should be encouraged. 3. Government, at all levels, should reduce its share of the national income." It adds: "the prices and incomes program should be lifted as quickly as possible." And I'm told that the members were advised to comply with the Regulations.

I could generalize. Official business supported the program at the beginning but essentially as a way of taming the "eccentricities" of labour and government.

After the June draft changes were introduced to eliminate "inequities" among companies and to ensure the degree of restraint originally contemplated by the government, business decided to show its dissatisfaction and impatience. It, consciously or not, developed a number of themes:

— "The rules are still too complex." (Though they kept asking for the legal precisions needed to prevent arbitrariness.)

— "By not supporting the program, labour is getting a better deal." (There has been no change in the basic compensation rules and they are being firmly administered as you will see in the Annual Report.)

— "The rules have changed from pricing to profit rules." (The original rules were also profit rules and so were they in the U.S. at the time of controls.)

— "The rules are hurting productivity." (Little doubt about that, as a general proposition, though the Chairman of Imasco could declare: "We created and intensified internal controls within our divisions. We notified suppliers that we would expect them to comply with the government's guidelines. We established a committee of senior executives to review all cost increases. When these could not be strictly justified, we sought alternate sources of supply. Through it all, though our costs inevitably increased to some degree, *we were generally successful in absorbing them internally*." And they're helping in many other ways too.)

— "The rules are hurting investments." (They are affecting the business climate for future investments, and that is why "investment credits" have been included in the new rules to counter the effect. Let's also say that a slowdown of investments in 1976 had been predicted before October 1975; partly due to over-capacity and the fear of inflation!)

— "The economic climate is better in the U.S.A." (Possibly, at this particular moment . . . though a leading Canadian businessman could write: "Canada is a far superior choice. Corporation tax averages 40% here for manufacturing, with a two-year write off on new equipment, vs. a 52% rate and a ten-year write off in the United States. That probably means a return on capital one third higher in Canada. Too much government in Canada? Yes, but the U.S. is no better." Rates of capital formation in Canada are at present 13.6% higher than they were in 1973, while they are 12.3% lower in the U.S.A.)

— "The government doesn't really intend to get out of controls." (Notwithstanding official statements to the opposite, notwithstanding the Supreme Court decision which is based on their temporary nature. And the Prime Minister has just repeated his commitment to abolish them before the end of 1978.)

Again, what is the alternative?

Insufficient Understanding of the Program

Having backed into controls, being ambivalent about them, insufficient attention, I think, was given by business and labour leaders, by the public at large, to the very nature and value of the program.

The White Paper was unfortunately not read as intensely by Canadians as Mao's little red book of "Quotations" by the Chinese. But then there were fewer copies! Yet it is an important expression of political and economic objectives. As a former professor and practitioner of politics, it captivated me!

It makes essentially four points:

— The anti-inflation program is to be "global" (my wording), is to encompass monetary policy, fiscal policy (including government expenditures), structural policies and, in fourth position only, as it should be, being only a complement to the others, temporary price and income controls. All four policies would be run in parallel. The Chamber of Commerce writes: "The efforts being made by governments to curtail the rate of growth in public expenditures are welcome, (though) still more needs to be done."

— The program, the price and income aspect in particular, is to be implemented in co-ordination by a variety of instruments — the federal cabinet, federal regulatory agencies, and the Anti-Inflation Board; the provincial cabinets, provincial regulatory agencies, provincial anti-inflation agencies (in Quebec and Saskatchewan), each instrument being mandated to apply the guidelines in its own area of jurisdiction. That was done in respect for the permanent constitutional structures of Canadian federalism. With some possible exaggerations, some delays, some lack of public justification for justified increases, for example in government services, this approach has generally been followed.

— The program, the price and income aspect of it in particular, was meant to be gradual, in order to minimize the disadvantages of what is referred to as "rough justice". That is why there was to be no freeze at the beginning, either for prices or for incomes; that is why there was some flexibility in allowable wage increases, for example to protect "historical relationships"; that is why recognition is given to the importance of investments. All this would have been treated differently had the program been given a shorter duration.

— The program, specially the price and income policy, was to be balanced. Controls would help prevent the extreme sacrifice that would otherwise have to be made by some. Everybody was to make a contribution to the "Attack on Inflation" — coupon clippers, professionals, white collar workers, blue collar workers, bankers, shoppers. The regulations and their administration by the A.I.B. reflect the objective of fairness.

> They are designed to permit the maintenance of the shares of profits and labour income in the G.N.P. They recognize the need to maintain relationships between various groups in the work force, subject only to the upper limit on income increases for the better paid. That upper limit does not seem to be an unreasonable price to be paid in return for a reduction of inflation to 8%, 6%, 4%.

So this was from the start a good anti-inflation program. It could work; it has worked well, unexpectedly well, in the first year.

I am convinced that the program is effective and fair. If I am right, why do so many people not share that view? Most people can be convinced by a reasonable presentation of the facts. Ergo, we have failed to convey the facts! We must do better! Please help us! There may still be time. As a matter of fact there must be a better understanding of it in the coming year if we are to "control", and later "de-control" and "post-control" efficiently.

Skepticism

Because of the original reluctance to enter into it, of the ambivalence towards it, of the lack of understanding of it, of the mistakes made in implementing it and publicizing it, the prevailing public attitude to the program, to the price and income policy in particular, has been one of skepticism, varying from benevolent to belligerant.

It seems, to me at least, that anybody can attack the program and get away with it! The only people willing to give that person "a run for his money" are five or six members of the cabinet, the A.I.B. and staff, a dozen or so economists and economic commentators, half a dozen editorialists.

The same arguments are made over and over again.

"Controls don't work," says the president of G.M. the day before he announces a holdback on the prices of his

1977 models! And the media concentrate not on the fact that prices would be going up in the U.S. but on the fact that cars would be one foot shorter!

"The compensation decisions of the Board are confused." But the very application of the rules leads to decisions of 10%, 12%, 15%, 20% increases. Some people say, "The A.I.B. has granted a 20% increase," as if we had originated the wage agreement!

"The A.I.B. controls wages but not prices." But most companies live within their margins, and a hundred companies have been asked to dispose of excess revenues. Among them are G.M., General Foods, etc., as has been made known to the public.

"The A.I.B. has produced few tangible benefits to consumers," declares the Consumers Association, notwithstanding the decline of inflation from 10.6% to 6.5%.

"The A.I.B. has no effect on the price of food." But we have control jurisdiction from the farm gate and from the border to the consumers, representing 35, 50, 60% of the "final price", and there have been announced holdbacks of "excess revenue" from food companies such as General Foods and Monarch.

"The A.I.B. has a huge bureaucracy of well paid civil servants." We have often demonstrated that this is not so, and we have a number of employees from the private sector and from labour unions who are not better paid here than they were in their previous jobs.

"Let's get rid of the A.I.B." All through the year when the C.P.I. went up it was because "the A.I.P. and the A.I.B. were a failure." When it went down, "the A.I.P. and A.I.B. had nothing to do with it."

Not believing in it, the media, with some exceptions, have refrained from assigning full time reporters to the program, and have often commentated on it with declared skepticism, always looking for "la bête noire". I must admit though that the quantity of coverage has been extremely good!

The Temptation to Get out Early

The reluctance, the ambivalence, the lack of understanding, the skepticism lead quite naturally to the temptation of getting out of controls.

The temptation is here. Every inkling of success brings with it a call for the termination of the program. Strangely enough so did every inkling of lack of success earlier on.

It's hard to keep on going to church when you never had the faith! It's difficult to stay "on", "with it", "hot" for three years of controls when the reasons why they were put on in the first place are not accepted or understood, when leaders are either asking for their immediate withdrawal or seem to be wavering on their continuation until the job is done.

Mr. Macdonald has accurately and forcefully described what might be the effect of premature withdrawal: "We have made a good start. But if any of us, individuals, corporations, or governments, were to relax our co-operative efforts to win the battle against inflation, we would run the risk of prices accelerating once again. All our progress to date would be squandered."

Let them accomplish their task before removing them. It takes time for "the actual role of inflation to become the expected rate of inflation". The evidence from the U.S. experience suggests that expectations lag significantly behind the actual rate of inflation. Why? Judith Maxwell says: "One of the many weapons in the battle against inflation is psychology. If the government declares the battle over before everyone is persuaded that prices have stabilized and then some people in the community attempt to make a big gain in their wage or their price, the chances are that the battle will be lost because inflation expectations will be triggered again."

Is the Present Mood Good Enough?

I have described the attitude of the population, of the interest groups in particular, *vis-à-vis* the A.I.P. and the

A.I.B. as reluctant, ambivalent, lacking understanding, skeptical, impatient. I am not saying that there is no justification for that collective mood. Is that attitude so bad that it can prevent the success of the program?

I think that the program can succeed with limited open support, with a sort of a pact of friendship and solidarity with the public, a pact of non-aggression with most interest groups, a pact of contained warfare with labour. As a matter of fact, it *is* succeeding, admittedly with the support of providence by way of good prices at the farm and at the border! The cost of living *is* coming down — at annual rates 6.5 in September, closer to 6% than to 7% expected next month.

At this point one must be reminded of the two main objectives of the price and income policy: (a) to provide a temporary framework for decision-making in prices and incomes, in order to counter the expectation of more inflation; (b) to provide a breathing period for substantial changes in attitudes, techniques and institutions necessary to prevent a return to "rampant inflation".

It appears to me that with the present collective psychology:

1. Canadians can reduce inflation itself to the objectives of 8%, 6%, 4% in three years, though the possibility of a bubble after the end of the program has not yet been removed.
2. The temporary framework appears generally good enough for the duration of the program.
3. Not enough has been done yet by way of bringing about "structural policies" and the needed changes "in attitudes, techniques and institutions" still have to be better defined and collectively felt. Here I agree with the Chamber of Commerce: "The underlying causes of inflation remain and effective solutions are still required."

In other words, the present mood is good enough, in my estimation, only for half the job. For the other, and toughest, part of the exercise, we need psychological changes, changes of attitudes towards the restraint program itself.

Governments, at all levels, must display much stronger dedication, competence, consistency, staying power, which, in my view, would also help them regain public confidence, an essential prerequisite of ultimate success. Businessmen must assume their full responsibility, do some of the things they talk about in their speeches — explain and justify their beliefs, implement their noble ideas about collective bargaining, profit sharing, co-participation, research and marketing. Official labour, after its October 14 "show of strength", must show greater flexibility, willingness to compromise. Labour leaders can't ask for "a role in government" and then object to everything that governments, even socialist ones, do.

The public at large needs to get involved and to support these efforts. Otherwise, I repeat, the job will remain only half done.

The appreciation of the audience was expressed by Dr. H. Ian Macdonald, a Past President of The Empire Club of Canada.

OCTOBER 21, 1976

Beyond the Looking Glass—Canada after Controls

AN ADDRESS BY The Honourable Iona Campagnolo,
P.C., M.P.,
MINISTER OF STATE (FITNESS AND SPORT) TO THE MINISTER OF NATIONAL HEALTH AND WELFARE

CHAIRMAN The President,
William M. Karn

MR. KARN:

Madame Minister, Mr. Mayor, Reverend Sir, distinguished guests, ladies and gentlemen: Our guest of honour earned our admiration and endeared herself to your Speakers' Committee long before we made her acquaintance today, for several reasons.

Firstly, she is the only one of the first five ladies invited to address us who has accepted. Secondly, she accepted promptly. Thirdly, she is the only one of those from British Columbia whom we invited who has accepted. And fourthly, she readily agreed to a change of date when we had to rearrange our schedule.

We had originally arranged that she would visit with us during Grey Cup Week, even before her appointment to the Federal Cabinet as the Minister of State responsible for Fitness and Amateur Sport. We had been holding this day for a certain speaker from Los Angeles* who subsequently advised us that he could not come *before* the U.S. presidential election. In retrospect, we are fortunate in having as our guest one whose political fortunes are still rising — and rising dramatically — and who has much farther to go before reaching the orbit of her maximum capability.

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*Ronald Reagan, who ran against Gerald Ford for Republican Presidential nomination. He was defeated by Ford at the Republican Convention in August, 1976.

Those of you who are familiar with the scenic beauty of Prince Rupert and the surrounding region, the post-war industrial and municipal growth of the federal constituency of Skeena as a whole, and the diverse origins of its citizens, one-third of whom are of Indian heritage, can appreciate the limitless opportunity offered to those who are prepared to serve in the public interest. It was into this environment that Iona Campagnolo projected herself when she was elected a school trustee in 1966 and later a city alderman in 1972. In addition to chairing the athletic committee, she served on committees of council dealing with the environment and downtown beautification.

Iona Campagnolo co-ordinated the visit to her region of our royal family in 1971, and the vice-regal visit of Their Excellencies the Governor General and Mrs. Michener the year following.

For outstanding service to her community, she was awarded the Order of Canada in 1973, and named B.C. Broadcast Citizen of the Year in 1974.

It was inevitable that her electoral constituency of Skeena, which constitutes the northwest quarter of British Columbia and is the third largest in Canada, would send her to Ottawa as their Member of Parliament, which they did in 1974. Since then, she has continued to distinguish herself by taking a firm stand on issues of national importance. In 1975, she was named Parliamentary Secretary to the Honourable Mr. Judd Buchanan, Minister of Indian Affairs and Northern Development, and this September she was appointed to the cabinet.

When I learned of her topic for today I was somewhat apprehensive. Had she chosen "In Front of the Looking Glass" we might have thought that she was going to reprimand us for our non-athletic physical condition — in other words, our loss of paunch control. But this is not so.

Ladies and gentlemen, it is a pleasure to invite Iona Campagnolo, P.C., M.P., Minister of State to the Minister of National Health and Welfare to address us on "Beyond the Looking Glass — Canada after Controls".

THE HONOURABLE IONA CAMPAGNOLO: Mr. President, head table guests, honoured guests and members of the Empire Club: I would like to thank you very much for inviting me here today, and allowing me the chance to share some of my thoughts with you.

My thoughts, like those of many Canadians these days, are on our economy — the fight against inflation; wage and price guidelines; what happens to us after controls are removed. In fact, I understand that you have had so many speeches on economics this year that any member who attends more than half of your meetings may well be in danger of actually learning something about the subject.

So my original intention, in accepting your invitation, was to give you a change of pace. Perhaps discuss my new responsibilities as Minister of State for Fitness and Amateur Sport — and conclude with all of us doing pushups and jogging around the Royal York. Or give you a learned treatise on the role of women in Canadian society, and suggest that if the voters of Ottawa-Carleton can replace a former finance minister with a businesswoman, then even Earl McLaughlin had better start to take notice. Or perhaps even discuss the regional disparities in our country which can create communities as diverse as your great, economically-diversified metropolis of Toronto, and my own fishing and forestry-dependent home town of Prince Rupert.

But, sure enough, when your President phoned my office to ask for the title of my at-that-point-unwritten speech, I automatically reached for our "issue of the day" — and somehow came up with Lewis Carroll.

But when you stop and think about it, and think about what's been happening to our economy for the past few years, we do look almost as though we've fallen, like Alice, into a strange and different type of reality. And the characters are certainly all there. We have Joe Morris of the C.L.C., playing the economic Mad Hatter, with Ed Broadbent tagging along behind as the March Hare. And some of our more influential corporate executives, perhaps somewhat miscast, but still doing a passable imitation of the Queen of Hearts saying, about the Prime Minister, "Off with his head!" Then there's Joe, the Cheshire cat, not really saying or doing much, just sitting back and smiling — watching — as if he had no role to play in helping us to find the right economic signpost.

And, of course, there's Alice herself, being played superbly by the Canadian public. Not quite sure of where we are and not exactly sure how we got here. Being faced with situations where things that were once real and substantial literally shrink before our very eyes. Knowing that the temporary benefits of an inflationary Wonderland will be as mocking and hollow as the grin of the Cheshire cat when brought before the harsh light of economic reality.

Yes, we've been in Wonderland for the past while — where A plus B equals 12% more than C, and where we find ourselves further behind the faster we try to run. Where, just over a year ago 20,000 Quebec nurses were demanding a 60% increase and a cost of living allowance; 20,000 members of the Canadian Union of Postal Workers were looking for an immediate pay increase of 71% plus a 30 hour work week over 21 months. Alberta doctors were demanding a 40% increase in rates; B.C. bakery workers, meat cutters, and retail clerks wanted an immediate raise of from 38.6% to 76.2%; 87,000 Quebec teachers were demanding 48.3% in a one year contract to catch up with Ontario teachers who were simultaneously demanding 43.9% more as well as a $720 lump sum payment as a cost of living allowance.

Last October, though, the Prime Minister said "Stop!".

The government, in an effort to bring us out of our Wonderland, and back to reality, imposed strict economic controls and a three year program of guidelines on wages and prices. And, in themselves, these controls are working. Inflation, which was at 11% when controls were brought in, is now down to an annual rate of increase of 6.5% — still too high, but significantly below our first year goal of 8%.

Unjustifiable wage demands are being reduced. Excessive profit margins are being trimmed, and are being closely monitored. A glimpse of light is starting to appear as we climb back up closer to the top of the "rabbit hole".

But let's not kid ourselves. Even if we achieve our goal of a 4% annual inflation rate; and even when the controls are lifted — as they will be, in 1978 or sooner, because the law of the land, known as the Anti-Inflation Act passed by Parliament last year says they will be removed in three years or sooner — we will not necessarily have solved the problem of inflation.

The controls program cannot solve our problem for us; it can only give us a bit of breathing space. A breathing space in which we can regain our economic breath, take a good look at where we are and, to return again to Lewis Carroll, try to find a way *around*, rather than *through*, the looking glass.

Wage and price guidelines and government-administered controls are all the horrible things that our critics say they are. They interfere with the free operation of the market system. They only mete out rough — if any — justice. They discourage initiative. They are costing the government support in the opinion polls. And so on. And I as a Liberal personally find them abhorrent, and opposed to everything that my own philosophy stands for.

But our visit to the economic Wonderland has, unfortunately, made them necessary, and, despite what some critics say, the results so far show that they are working, and that we are regaining a measure of control over our economy.

The real question, though, is what we, as Canadians, want to do after the controls are lifted. There are real and pressing problems in our economy, structural problems, which must be resolved if we are to avoid a continuation of such severe economic dislocation. And in resolving these problems, we Canadians have an opportunity to go behind the looking glass, and shape the economy and society we want to live in during the years ahead.

The role of government in society. The future of a market-system economy. The resolution of industrial disputes. How to increase productivity. The social and environmental consequences of economic activity. How to live in a world of "Big" — Big Business, Big Unions, Big Government.

All of these issues, and more, are what we mean when we say "Where do we go after controls?" I know that I have my thoughts on these issues, and I'm sure that all of you have your own opinions. And while it is the duty and responsibility of the government — which is elected by and responsible to all of the people of our country (something Joe Morris seems to find hard to understand) — to forge a concensus of opinion and provide the leadership needed to resolve these problems, it is also the duty and responsibility of that government to consult with the people of Canada, to seek their views on our economic future, and then it is the government's duty to shape policies which reflect the consultation process and the views expressed.

The controls program is only one-third over, and already that consultation program has begun. It was reflected in last week's Speech from the Throne, when His Excellency, the Governor General, stated:

> ". . . the development of new strategies required by the times in which we live will demand the closest possible co-operation among governments, workers, businessmen, co-operative and voluntary organizations and all other sectors of society. To that end,

> the government will launch a major series of consultations throughout Canada to secure a greater sharing of economic and social responsibility among all Canadians."

The last phrase is the key . . . "a greater sharing of economic and social responsibility among all Canadians." Put more bluntly, it's the "I'm all right Jack" attitude that got us into this mess. It's going to take a somewhat more mature attitude, on behalf of all sectors of our society, to get us out.

So we, as a government, will be consulting with you, as Canadians, and asking you for your advice. That, really, is what I'm doing here today. And you, as Canadians, had better tell us what you think, because the future we're planning is one we'll all have to live with.

One of the issues I cited earlier as examples of the problems we must together resolve, is the question of industrial disputes. It is a question in which I have long been personally interested, and I'd like to discuss it briefly with you today, just as an illustration of the complex problems we face, and the type of input I and my colleagues in the Cabinet seek from you, through this process of consultation.

Industrial relations in Canada have traditionally been based on the system of collective bargaining between employees, represented by their union, and management. The federal government remains committed to this system as the fairest and most publicly acceptable method of determining wages and working conditions, in both the private and public sectors.

But, and this has been obvious for some time now, the collective bargaining system has not been working as equitably or effectively as it should. And Canadians in general, as well as the parties directly involved, have suffered from the consequences. Wage demands are not the cause of double-diget inflation. There is no one single cause of such a complex problem. But the figures I cited to you a few minutes ago — 71%, 40%, 76.2%, 48.3% — aren't examples of what I would call restraint. And neither is the practice of some of our larger corporations, whose dominant positions in their particular market allows them sometimes to pay such irrational wage increases, on the basis that they can just pass it through to their customers and it's easier on them than a strike. Well, you may be all right in the short-run, Jack, but what happens to all of us a little further down the road?

So, is collective bargaining the answer? If not, what is? And if it is, then how can we improve it to get the stable system of industrial relations that we all seek?

A process of continuous bargaining? Compulsory arbitration at a certain point in all labour disputes? Employee representation on boards of directors? Employee stock ownership plans? Productivity allowances instead of cost of living allowances? The whole question of "industrial democracy" is one which we must look at very closely, and one in which all Canadians should be taking part.

One suggestion in this regard has been that we adopt the West German approach to industrial relations. In that country, they, like us, use the adversary system of collective bargaining, but there is a general, all-party concensus that the strike is not the way to go. As a consequence, for every 20 days lost in Canada to strikes in 1974, there was a loss of less than one day in West Germany. Just think of that figure — less than one-twentieth of the time lost to strikes than we have had in Canada. Consider what the regaining of that lost time alone would do to improve our productivity.

It's certainly a system which, at least on the surface, looks attractive. But, as with everything else, there's more than the surface to consider. Unions in West Germany are willing to forego a wage increase for a particular period of time if it is apparent that the result of that increase is a reduction in the ability of their company to compete effectively, or the possible lay-off of some of their members.

Are our unions willing to give up that power, and give up higher wages today for greater job security tomorrow?

Similarly, West German industry has come to accept a much greater degree of involvement by unions in "their" affairs than would be considered acceptable here. In some circles in our country, the entire concept of unions and employee rights has not really been accepted. How would these individuals react to the presence of union involvement in company activities, on every level from the shop floor to the corporate boardroom. And make no mistake, for the West German system to work, such involvement must not only be tolerated, but actively sought and acted on.

There are still some corporate dinosaurs in this country, some of whom still think that we're living in the world of the Family Compact and the Hudson's Bay Company rules. Are they prepared to give up some of their power and welcome the unionists into their executive suites for the greater productivity of the nation?

And are our governments, on all levels, prepared to accept a much greater degree of involvement by both labour and management in the designing of new legislation concerning industrial relations? And are labour and management prepared to accept the responsibility of such involvements? If we do not learn to work together, Canada as we know it will no longer exist.

These are the questions which we, as Canadians, should look at if we hope to successfully alter our system of industrial relations in the post-controls period. It is one of those challenges that we can use the breathing-space for, to consider these types of changes.

And, as I said earlier, the consultation has already begun. In this particular field, the federal Department of Labour has commissioned a study by Mr. Charles Connaghan, currently the Vice-President of the University of British Columbia, and prior to that the President of the B.C. Construction Labour Relations Association, on the question of industrial relations in Canada, and dealing particularly with the West German experience and how we can benefit from it. This report has now been presented to my colleague, the Minister of Labour, and is available to the general public. It is an excellent report, raising many points of relevance to our Canadian society; and I would strongly recommend it to any of you interested in pursuing this subject in more detail.

But, as I have said, industrial relations is only one of a number of the issues that we, as a country, must face if we hope to establish a better, and more responsive, post-control economy. I am confident that Canadians want to be consulted by their government on matters such as these, and that they want to have a voice in determining the shape of our economic future.

I spent the entire month of August, back in the not-so-hectic days, travelling throughout my constituency and meeting with people in the cities and towns, and Indian villages, and isolated logging and mining camps. Talking to them, trying to help them with their problems, and seeking their views on issues of national concern. One of these issues was the question of wage and price guidelines, and what kind of society do we want after controls. One of the answers I kept getting back — in both Chambers of Commerce and Union Halls — was that, after controls, these Canadians wanted more controls! They didn't want to return to the free, open economy our society has traditionally been based on.

Now this was by no means a majority opinion. But it was raised, and raised consistently enough for me to be quite concerned. Economic controls are to me, as a philosophical liberal, the opposite of everything I stand for. And I believe that they are the opposite of what Canadians in general want to see.

The post-control period is a great opportunity for us, working together as a society, to meet the challenge of the future and to take an active role in influencing the circumstances that too often control us, rather than the other way around.

We have a great future ahead of us in this country. We have the natural resources the world will need. We have a young but highly-trained work force. We have one of the stablest economic and political structures in the world. And, by creating an opportunity out of an economic crisis, we have a chance to leave wage and price controls behind, to return from our economic Wonderland, and step beyond the looking glass into a world we have some control over, rather than through the looking glass into a continuation of the economic absurdity of double-digit inflation and the threat of government by pressure group.

Or, as our friend Lewis Carroll put it:

Thus grew the tale of Wonderland
Thus slowly, one by one,
Its quaint events were hammered out —
And now the tale is done,
And home we steer, a merry crew
Beneath the setting sun.

Ladies and gentlemen of the Empire Club, I wish to thank you for giving me this opportunity to speak to you today. And, in honour of what, at least for me, has been a most interesting and enjoyable meeting, and as a reminder of the economic Wonderland we all want to leave, I'd like to take this opportunity to present your President, Mr. Bill Karn, with a copy of the collected tales of Alice, by Lewis Carroll.

The appreciation of the audience was expressed by Mr. Peter Hermant, 1st Vice-President of The Empire Club of Canada.

OCTOBER 28, 1976

The Philosophy of Assessment

AN ADDRESS BY The Honourable Arthur Meen, Q.C., M.P.P., MINISTER OF REVENUE, PROVINCE OF ONTARIO

CHAIRMAN The President, William M. Karn

MR. KARN:

Mr. Minister, Reverend Sir, distinguished guests, ladies and gentlemen: In introducing our guest of honour today, with your permission, I would like to quote from the second chapter of St. Luke, verses 1 to 3.

> And it came to pass in those days, that there went out a decree from Caesar Augustus, that all the world should be taxed. (And this taxing was first made when Cyrenius, who was also called Quirinius, was Governor of Syria.) And all went to be taxed, every one into his own city.

Checking further on this subject, and I stand to be corrected, because most reference texts differ slightly, I discovered that, then as now, there was a dual approach to financing the needs of the kingdom. Caesar in Rome in his day decided upon what he needed, and instructed the Governors of each state to collect the necessary revenue.

An enrolment or census was taken simultaneously, the first of which occurred in Syria in 23 B.C., followed by a second in 8 B.C., roughly fourteen years later as decreed.

Over in Judea, there was a slight nationalistic problem. The first enrolment or tax collection was delayed because of a war until the summer of 6 B.C., and then was given special status, being conducted according to tribes and households. It was quite peaceful. However, the second assessment which was made during the second governorship of Quirinius — still on the fourteen-year cycle — provided for no special considerations. This time the basic rules of Rome were applied universally, causing strenuous objections. And they had no golf courses.*

Note the similarity of governmental financing today, almost two thousand years later, under our federal and provincial systems. Narrowing the subject to Ontario, we have the Honourable W. Darcy McKeough, Treasurer of Ontario, and Minister of Economics and Intergovernmental Affairs, deciding upon what he needs and how he is going to spend it for his *annual* budget — not a fourteen-year budget as in Roman times. We also have the Honourable Arthur Meen, Minister of Revenue, devising ways and means of collecting that amount, hopefully on an equitable basis.

Our speaker today brings to his position in government a broad background of appropriate academic training and legal experience. After obtaining a degree in electrical engineering from the University of Toronto, in 1946, and later a degree from Osgoode Hall Law School, he practised law, and was made a Q.C. in 1965.

Since his election to the Legislature as M.P.P. for York East in 1967, and again in 1971 and 1975, Mr. Meen has served on several committees including those dealing with taxation, corporate law, pensions, and legislation.

After spending two years as Parliamentary Assistant to the Treasurer of Ontario, he was appointed Minister of Revenue in 1974.

In this position, Mr. Meen oversees the revenue-generating statutes for Ontario; two income redistribution programs; the assessment of all real property for taxation; the enumeration of all residents in the province; and the operations of the Province of Ontario Savings Offices.

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* There was much concern about the impact of revaluation on Ontario golf courses.

Among the statutes which he has introduced and carried through the Legislature are the Land Speculation Tax Act, the Land Transfer Tax Act and the Ontario Guaranteed Annual Income Act, all in 1974.

It is my pleasure, ladies and gentlemen, to give you the Honourable Arthur K. Meen, Q.C., Minister of Revenue for Ontario, to speak on "The Philosophy of Assessment".

THE HONOURABLE ARTHUR MEEN: Mr. Chairman, distinguished guests, ladies and gentlemen: Thank you for your kind introduction. I can think of a great many complimentary things that I might say, in return, about this venerable institution of yours, but for reasons that will be obvious in a moment, I will take time to mention only one — namely, the rather astounding precision with which you schedule and conduct these luncheons.

For instance, I notice that my address today was scheduled not for 1:00 p.m. or 1:30 p.m., or even for the quarter hour of 1:15 p.m. No, your program committee people are more precise than that. My starting time was set for 1:10 p.m., and I was mildly surprised when the meeting began without your chairman asking us all to synchronize our watches.

Don't misunderstand me; I think punctuality is a great virtue, and if I sound uncommonly apprehensive about offending you, please remember that I've had a lot of conditioning as a Cabinet Minister in a minority government.

In that respect, I feel rather like the old Irishman whose time had come for Last Rites. The priest sat at the bedside, urging the old fellow to accept God and renounce the Devil.

"Father," the old man said, "I am certainly willing to accept God, but let's skip the other part. At this particular time, I don't feel that I'm in any position to antagonize anyone."

In that same spirit, I offer a word of apology to all those who showed up here today hoping that I would somehow, after all, turn out to be Ronald Reagan.

So much for levity and customary pleasantries. Mr. Chairman, this is a serious occasion, inasmuch as your club has a well-earned reputation for dealing with important matters of public concern. My topic today — the Ontario government's program for reassessing all the properties in this province at market value — is one that fully meets the criterion as a subject worthy of your thoughtful consideration.

The importance of property assessment as a factor in the economic and social life of this province is perhaps not widely recognized, although it is easily demonstrated.

For example, most people, I am sure, know that assessment is the fundamental factor in the computation of property tax; but I doubt whether many people realize that assessment is also a basic determinant in the payment of massive financial transfers from the province to local governments.

The property tax itself amounts to some $3 billion this year and is larger than Ontario's personal income tax and corporation tax revenues combined. In addition, transfer payments from the province, which are determined by the assessment base, currently account for another $3.1 billion in local government revenues. In other words, the assessment base is the determinant factor in the flow of more than $6 billion into local government coffers throughout this province of Ontario.

Clearly, then, the government's program for reform of property assessment and taxation is of fundamental importance to all Ontarians.

Property taxes were not always so important. In earlier times, when life was simpler, municipal services were sparse and cheap and, consequently, property taxes were low. In some municipalities, the annual levy was scarcely more than a nuisance tax.

Those were the so-called "good old days" when towns were isolated from each other, people were less mobile, and each town's financial situation was pretty much its own affair. In every town there was an assessor who sized up all the properties and placed a value on each of them, as the basis for the taxes which the owner, in each case, would have to pay. This figure was known as the assessed value. Theoretically this assessment was synonymous with the market value — a requirement of the Assessment Act since 1904.

But the relationship between assessed value and market value was by no means the same from one municipality to another. And, as the years went by, assessed value became haphazard and increasingly unrelated to market value. Assessments were established by a complicated and somewhat mysterious process which was understood by very few people other than the assessor himself — and there were instances where one had to wonder, too, about his grasp of the subject! Certainly, for the average property owner, assessed value came to be a meaningless figure with no relationship to the realities of the marketplace.

These shortcomings in municipal assessment practices were perhaps not serious in earlier times. But during the 1950s and 1960s it became increasingly apparent to the province that the system was seriously weakening the financial bases of local government and that inequities to taxpayers were reaching intolerable levels.

At first, the province tried to remedy the situation by strengthening the municipal assessment system. Early in the 1960s, the Assessment Act was amended in a manner intended to improve the quality of personnel engaged as assessors.

In southern Ontario, counties were empowered to hire county assessment commissioners and staff to serve all the municipalities within their jurisdictions. In northern Ontario, an amendment to the Act empowered the Minister of Municipal Affairs to appoint district assessors and to supervise their work.

The province provided generous grants in support of these county and district assessment offices. It developed new valuation manuals, it set up training courses for assessors and it encouraged the use of electronic data processing machines to facilitate the maintenance of records and the preparation of assessment rolls.

These actions resulted in certain improvements, with respect to records, in small municipalities that could not afford their own full-time assessors, and worked well in the north, where the assessors now came under provincial supervision. But in the broader context of valuation, they generally failed in the south, where county support was half-hearted and provincial assistance was not accepted. And, ironically, it was in the south that improvements in the system were most urgently needed, because this was where the population was heaviest and where the growth of towns and cities was occurring most rapidly.

To give you a more vivid impression of how bad the system was at that time, and how urgently it was in need of reform, let me quote from some remarks made in 1965 to a conference of municipal assessors by the Minister of Municipal Affairs, the Honourable Wilf Spooner. After noting the need for a program to improve the knowledge and judgment of assessors and to convince all municipalities that they must adopt a consistent and uniform approach to assessment, Mr. Spooner told his audience exactly what he thought of their work. He did so in a manner that reminded me of the old definition of diplomacy: "Diplomacy is the art of telling someone to go to hell in such a gracious way that he actually looks forward to making the trip."

In this case, Mr. Spooner had no illusions of the power of diplomacy, and chose instead to be brutally to the point.

> "It would be much more enjoyable and pleasant were I to attend your functions merely to praise your good work. I am sure that such an approach would make you happy. I, of course, would be

> happy to do so and, undoubtedly, the municipalities would be happy as well. Unlike Marc Anthony, however, I come neither to praise nor bury you — I simply do not believe that we have yet reached the position when we can, in conscience, establish a mutual admiration society. This being the case, I am going to cite certain statistics which, while not flattering to assessors, clearly show that our assessment standards must be improved. Last year the Assessment Branch of my Department conducted a survey to determine certain facts concerning the condition of the assessment roll in each municipality in Ontario. 940 assessment rolls were examined in some detail.

Among a dozen points, he listed:

- 604 municipalities had neither revised nor adjusted assessed values since 1956. (Mr. Spooner was speaking in 1965, so that was nine years without any readjustment.)
- 405 municipalities did not use an integrated assessment system or manual, although some of them used parts of several different systems.
- 164 municipalities had no appraisal records of any kind.
- 133 municipalities did not prepare their assessment rolls in accordance with the Act.
- 283 municipalities did not assess properties for part-year taxes.
- 162 municipalities did not bother to assess or collect business tax.
- In every county there was an unacceptable deviation in the ratio of assessed value to market value for the various municipalities. In the better counties the variance was more than 10% and in most counties the variance was between 15 to 30%. It was true that

> county equalization reduced the impact to some degree. But Mr. Spooner pointed out that no equalization program, no matter how well considered, could remove these inequities.

Mr. Spooner went on to say: "The survey produced other startling evidence of poor assessment practice such as assessable properties missing from the roll; summer cottages assessed for business assessment; and what must be termed deliberate over and under assessment of property . . . It is safe to say that if the administration of the tax base by the senior levels of government were as inadequately administered, the nation would probably be bankrupt."

From there, he went on to urge the assessors and their municipalities to join with the province in working toward better standards of assessment, through improvement in procedures, training for the assessors themselves, adoption of the provincial manual to achieve consistency and uniformity, adoption of centralized systems of record-keeping for greater efficiency, and so on.

Mr. Spooner's appraisal of the situation and the need for fundamental reform was verified in 1967 by the report of the Smith Committee on Taxation in Ontario. In fact, it quoted the same parts of Mr. Spooner's speech which I have just read to you and noted drily that ". . . it has not been necessary for us to convince the Department of Municipal Affairs of the shocking state of assessing that has prevailed in this province."

The Ontario government's next step was to appoint in 1968, an all-party committee of the Legislature under the Chairmanship of John White, who was later to serve as Minister of Revenue and subsequently as Treasurer of Ontario. One of its major assignments was to examine the Smith Committee's recommendations on property tax reform in consultation with the public. I had the honour of serving on that committee myself, and I can attest to the thoroughness of the Committee's work as the basis of our present program.

In dealing with Ontario's property tax system, both the Smith Committee and the all-party White Committee unanimously recommended that all real property in the province be assessed at market value.

By this time, it was obvious that the only way to create a uniform and equitable system was to take over the assessment function and have all assessors working under common supervision and applying uniform rules and guidelines. Within six months from the time the White Report appeared, the government announced that it would indeed, take over the making of assessments and get on with the job of valuing all property at market value. In my view, the government's decision was courageous, and I am proud to have played a part in making the decision.

The scale of the undertaking was truly enormous. It included the reassessment of nearly three million properties at market value, and also we had to retrain 1,500 municipal assessors and relocate them in 32 offices throughout the province. We had to cope with some 200 different systems which the municipalities had been using for processing assessment and tax information, with the objective of ultimately replacing them by one single effective system.

In all, our earlier appraisal of the poor state of the assessment system was confirmed. We identified thousands upon thousands of inequities — properties where the assessment, even by the old system, was far too low and others where it was obviously too high. We knew from the outset that there also were properties that had never been assessed at all, and we identified 270,000 of these and had them placed on the tax rolls for the first time.

Meanwhile, as we moved ahead with the main task of reassessment at market value, along came the real estate boom. Prices began rising so quickly that some assessments became outdated almost overnight. It was impossible for the assessors to keep up with the realities of the boom.

Consequently, we realized quickly that the methods and techniques we were using would have to be improved or we could never make the market value system work as it should.

At the outset, we had optimistically set 1974 as our target date for having the market value system in full operation. Now the only sensible thing to do was to pull back, let the real estate boom subside, and meanwhile improve and re-test our assessment procedures. As a result, we have developed methods which are accurate and are capable of dealing with future market disruptions; while we have also gained invaluable practical experience from successfully implementing market value assessment in some two hundred municipalities across the province — most recently in West Carleton. Market value will become the basis for property taxation in 1978, and the assessment notices containing the new figures should go around the middle of next year.

Market value assessment is a system with enormous advantages for all parties concerned.

For the municipality, it means there is no need, any longer, to manipulate local assessment figures in order to calculate provincial grants and transfer payments. And it means that the municipality can count on receiving its fair share of money from the province.

For the province, it means that grants can be paid out according to assessments arrived at fairly and uniformly, on solid market evidence, and not on the somewhat artificial and often inconsistent components that were built into the old system.

For the taxpayer, it means receiving an assessment notice that can be readily understood. The property owner can compare his assessment with the actual market prices of properties similar to his, and he can weigh this same figure against the price he believes his property would command on the open market. In short, he can judge for himself whether his assessment is fair.

So far, Mr. Chairman, I have dealt with our program of market value assessment as a new base for property taxation. I wish to turn now to the important question of the rules or policies which we must develop to govern how municipalities use this base for local tax purposes in keeping with overall objectives concerning equity among taxpayers.

In keeping with its policy of asking taxpayers themselves to help determine the provisions and measures necessary for the fairest and most equitable system, our government is seeking reactions to 15 proposals it put forward last spring, by way of supporting and augmenting the changeover to market value assessment.

To gain the widest possible consensus, we set up a special commission, under the chairmanship of Willis Blair. This commission has just completed a series of some 27 meetings throughout Ontario, at which any resident of Ontario was not only free to appear but was encouraged to appear, on his or her own behalf, or on behalf of any organization, to offer comments and opinions about our proposals.

Naturally, the Government has been monitoring this exercise closely and while we cannot expect to receive a formal report from the Blair Commission for some weeks yet, we can see already, from presentations made to the commission, that some of the government's proposals have evoked broad discussion and concern — the type of concern which the government is pleased to see expressed to the commission.

Accordingly, the government has taken particular notice of the first-rate presentations made to the commission with respect to independent schools, farmlands, charitable institutions and recreational facilities like golf courses.

In regard to farms, we originally proposed taxing productive land at 100% of market value, with these taxes to be paid not by the farmer but by the province.

Some farmers have said they don't like that idea. They would rather pay their own taxes — or, at least some part of them. That will be fine with the Treasurer — he's always anxious to save money! Also, some farmers are unhappy with the recovery provisions, and we are looking at them to see if the procedure is really necessary.

On the issue of golf courses, the Blair Commission (and the government) has been hearing a great deal about the recognition of the need to preserve open space in Ontario. The Premier has already stated that the concern with respect to golf courses, in particular, will be responded to. So you needn't get rid of your golf clubs just yet.

In recognition of the power of public opinion with regard to business tax, under revisions we proposed, merchants who now pay a 30% rate would pay a 50% rate. In this instance, may I say, our commitment to profitability and a continued vital business sector will also have a determining factor on our decisions concerning the business tax rate.

Finally, there has been some criticism of our proposals concerning the taxing of private and religious schools. The commitment which this province has to an educational mosaic in Ontario, a public system with freedom of choice provided by independent schools, will not be eroded. This will directly influence our ultimate response on tax proposals in this area.

Each of the apparently contentious issues among our proposals could be dealt with in any one of a variety of ways, and of course we will be anxious to see the alternatives that come to us in the Blair Commission Report, around the end of December.

From these last few comments, you will have inferred, quite correctly, that we are ready and anxious to listen and respond to the comments and suggestions of the taxpayers of Ontario. It may sound like a cliché to say so, but we really do welcome constructive criticism. We even welcome negative reactions, when they are objective, well thought out and in line with the facts.

I think it's perfectly legitimate, for instance, for a merchant or a group of merchants to tell a government, or one of its commissions, that if such-and-such a measure is introduced, the effect on their class of business will be deplorable or disastrous or whatever. I use merchants only as an example: I think it's the government's function and duty to listen to all segments of the taxpaying public, if they have something meaningful to contribute to a public discussion.

But I must say, ladies and gentlemen, that our tax reform program and the proposals we have put forward have encountered far too many negative reactions of the destructive kind. By that I mean criticism based on ignorance, on deliberate distortions of the facts, and on political opportunism.

I find it hard to pick up a newspaper these days without reading of someone proclaiming that market value assessment will mean enormous increases in property taxes. This is nonsense, of course. As this audience will appreciate, there is no reason why an overhaul of the assessment base has to mean higher taxes. To raise the same revenue as before, the municipality will simply lower the mill rate proportionately. Unless a council deliberately sets out to increase its revenue, the only increases in taxes, generally speaking, will be those which should have occurred anyway and which are probably long overdue.

I also hear a great deal about the taxpayers of low income, especially the elderly, being threatened by reassessment. Again this is nonsense, not only for the reason I have just outlined, but also because it ignores our record of concern for the elderly. We have a whole system of tax credits and guaranteed annual income payments already in place to help such needy people. In fact, our financial assistance to the elderly is richer than that of any other province.

The misconceptions are bad enough, but the one that makes my blood boil the most is the accusation that the government of Ontario is dictating all these reforms without consultation, with the object of shoving them down the taxpayers' throats.

Does anyone seriously believe that we would ask the Blair Commission to conduct public meetings and accept briefs from all comers in more than two dozen locations all over the province if we did not put a high value on public participation?

I suppose it's asking too much to expect our identifiable political opponents to study the facts and put forward criticisms that are well founded in fact; but I do appeal to reasonable people not to jump to hasty conclusions about our tax reform program and not to repeat, and thus perpetuate, every disturbing rumour that is going the rounds these days. These, I suppose, are among the hazards of the process of public consultation, but I don't mind admitting that it stirs my wrath to see false and often malicious information being circulated in regard to a government program that is essentially sound.

By now, I would hope you have begun to see that I, and the government of which I am a part, have a philosophy about property taxation which might fairly be described as one part idealism and one part pragmatism. The idealism comes easy. It is possible to set out, on paper, a tax system that happily ignores tradition, precedent and emotional bias. But an idealistic system fitting that description would suffer from one serious lack —the lack of the very thing that is essential to the working of a good tax system: namely, the human factor. And that is really what I am talking about when I speak of pragmatism.

To me, it seems a simple and obvious fact that no system can survive and perform as it should unless it has the confidence and support of the great majority of taxpayers. And that is why, even after all these years of government research, tax studies, committee hearings, recommendations and reports, we, as a government, are still making new proposals, listening to public reactions and refining and reshaping the system.

It is a long and arduous process, and in one sense it will never really end. For what we are doing is trying, by every way we know how, to create what the people of Ontario will feel is the fairest, most suitable and most acceptable tax system to be found anywhere in the world.

The appreciation of the audience was expressed by Mr. J. A. Wm. Whiteacre, M.M., C.D., Q.C., a Director of The Empire Club of Canada.

NOVEMBER 4, 1976

Let's Get Back to People

AN ADDRESS BY Rodrique J. Bilodeau, Esq.,
PRESIDENT,
CANADIAN MANUFACTURERS' ASSOCIATION

CHAIRMAN The President,
William M. Karn

MR. KARN:

Mr. Minister, Mr. President, Reverend Sir, distinguished guests, ladies and gentlemen: Nothing gives me greater pleasure than to introduce to you a noted industrialist, a tri-lingual engineer, the elected head of the trade association which encompasses that area of activity with which I have been personally involved for more than thirty-six years.

In 1976, the Canadian Manufacturers' Association held its 106th annual meeting. It was founded 33 years before The Empire Club of Canada, and is older than most counterpart organizations in other industrialized countries of the western world. It now embraces roughly 5,000 member Canadian manufacturing companies, which constitute more than 80% of this country's total manufacturing capacity, and is subdivided according to geographical regions from coast to coast.

Because Canadian industry has become more and more specialized, member companies have had to form additional associations specific to the needs of the sector in which they operate. To name a few — the Electric and Electronic Manufacturers' Association, the Canadian Textile Institute, the Canadian Chemical Producers' Association, the Canadian Pulp and Paper Association, the Motor Vehicles Manufacturers' Association, the Grocery Products Manufacturers' Association.

But the broadly based C.M.A. speaks on behalf of industry in general, and this year more than ever before is trying to prove that the free enterprise system has been working in Canada, and must continue to work regardless of its weaknesses, if this country is to hold its position among the leading industrialized nations of the world.

Our guest of honour today, who is Chairman of the Board of Honeywell Limited, began with that company in its industrial division sales department in Montreal in 1950. He brought to that position his university training at St. Francis Xavier, McGill and Harvard, together with his experience as a pilot overseas with 407 Squadron. He progressed to national sales manager before being moved to Frankfurt, Germany in 1959 as manager of the industrial products group for Europe. Within two years he became assistant director of the European operation and in 1964 was appointed president of Honeywell S.A. in France.

However, Canada still needed him, and he returned to the local company in 1968, moving up to president in 1970 and chairman four years later.

He also serves on the board of directors of Texaco Canada Limited and McQueen Sales Co. Ltd., and is vice-president and director of the Canadian Council, International Chamber of Commerce.

To education and the public in general he is making additional contributions, serving on the board of governors of the North York General Hospital, the board of management of the Hospitals' Computer Centre in Metro Toronto, and the board of governors of the Research Laboratories of Laval University's Faculty of Business Administration.

Ladies and gentlemen, Mr. Rodrigue J. Bilodeau has a message of great significance to our future well-being. I now invite him to speak to you on his subject: "Let's Get Back to People".

MR. BILODEAU:

Mr. Chairman, ladies and gentlemen: There is a lot of talk these days about what policies Canada should adopt now and in the years ahead so that we can get out of controls and restore a strong sense of direction to the country. It is a difficult search because there are many conflicting pressures being placed on all institutions today. Among all these conflicting pressures it is difficult to find the right thrust, the right balance of priorities, which will give us direction so that we don't drift aimlessly, or worse still, head in the wrong direction.

The seemingly aimless thrashing about to find so-called post-controls policies, it seems to me, comes to a large extent from not asking ourselves the right questions. And yet, only in asking ourselves the right questions can we find answers that will allow us to start from the right premise.

We need to ask ourselves: What is the most basic, solid foundation upon which to build a socio-economic environment in Canada that will allow the country to prosper without the highly dislocative problem of inflation?

To my mind, this foundation, which is basic to real democracy, is a concern for the individual. The most urgent requirement today is that our institutions serve people as individuals. They must ensure that the fundamental rights of the individual to freedom, opportunity and justice are respected. This should be the ultimate yardstick with which to measure our socio-economic system's performance.

Macro-economics may have become too fashionable, and it seems to me that greater attention to the individual provides a more firm underpinning of stability, which is so necessary to sustain the good economic performance sought by businessmen.

Our institutions are increasingly being questioned and, to some extent, mistrusted because they are perceived as losing track of the individual. Therefore, it is essential that institutions re-examine critically how they relate to the individual — not only the individuals they serve in their own constituencies, but all individuals in Canadian society.

As a result, it becomes important to ask ourselves if the objectives of our institutions are seen to serve the interest of individual Canadians. If they do not, then we need to make evolutionary changes now or face the alternative of being submitted to radical and revolutionary changes later.

Let me try to explain what I mean by examining briefly the institutions of unions, governments and corporations against the yardstick I have proposed.

Corporations

I think it is good manners to first examine the corporate sector, as managers and shareholders, before commenting on the others.

Are we as businessmen keeping our nose so close to the grindstone of efficiency, of sales growth, of market share and all other technical aspects of running a business that we are not placing sufficient priority on the individuals who make up the heart of the corporation?

Although we complain a lot about the average citizen not understanding how the economy works, are we doing all we could to inform our own employees of the basic facts? And while we try to cope with unions of our employees, are we really asking ourselves to what extent their very existence is a result of our own failure to understand the needs of the individuals within our companies and our failure to provide facility and opportunity for them to communicate with us? Have we been so long in the adversary system of "us" against "them" that we automatically defend some disembodied concept of the company as if it were somehow separate from the people who make it function?

Periodically, managements need to meditate and freshen up their own thinking on the purpose of the whole of our economic system and our role in it. The system has no meaning by itself. It takes on significance only when its performance is related to human beings.

Although it is technically true that new machines, new techniques, better organization and so on are the major source of productivity improvement, it is no accident that the most common measure is output related to either the number of people or hours worked. The individual is really what it's all about.

A corporation is, of course, accountable to its shareholders. But today, this link is somewhat tenuous as shareholdings have become heavily concentrated in large institutions such as pension trust funds. As is the case with employees, management constantly needs to remind itself of the importance of the individual shareholder and of his need for pertinent facts regarding management of the assets represented by his stock.

With the growing concern over the distribution of income and wealth, corporate responsiveness to the individual in society is being questioned in a new way. In the United States, there is already legislation which provides incentives for more individuals to own shares of enterprises. This is seen as having a number of beneficial results in terms of commitment of employees to enterprises, economic education, productivity, and availability of badly needed equity capital for companies.

The C.M.A. has a small group studying this subject, but perhaps it is time more businessmen in Canada also looked into these areas. It could be a long-term key to the survival of the corporation, and capitalism itself, as well as a system which emphasizes benefits to the individual.

If you will permit a small digression, I want to take this opportunity to highlight a responsibility that I believe businessmen have to *all* Canadians in relation to a crucial issue — and that is the very real danger that this country may not survive as a unified nation.

I am personally greatly disturbed by the apparent growing bitterness in different parts of the country between French-speaking and English-speaking Canadians. Too many people are saying, rather glibly, that we might just as well let Quebec go its separate way, without realizing the full implications.

I don't want to get into all the cultural and political implications of that possibility, but I think businessmen have a responsibility to explain to Canadians that it is simplistic to think that only Canadians in Quebec would pay an economic price. In fact, the likelihood is that a lot of other Canadians throughout the country would also find their jobs in jeopardy. The basic reason is that we would be looking at a major fragmentation of markets.

I know that in my own company if the large chunk of our Canadian market represented by Quebec were removed, the remaining volume base might no longer be sufficient to ensure the viability of our Canadian manufacturing operations. Given the fact that Canadian manufacturers are already having serious competitive problems, it is very likely that a broken-up Canadian market would be served more economically by foreign manufacturers. That is the hard fact that many companies in Canada would face. I believe it is our responsibility in industry to point out such hard facts to Canadians so that they can think through clearly the impact on them, as individuals, if Canada were allowed to break up.

This economic consideration alone is sufficient to convince me of where my true interests lie on this issue. However, I can assure you that my wish for a united Canada rests on other values of considerably greater importance. I have too much faith in the possibilities for this country, and in the qualities of its people, regardless of their origins, to give up on it, and I am sure that deep within you, you share that feeling.

Unions

As for unions in this country, and the whole structure of laws, regulations and tribunals which govern their conduct, there are some major deficiencies that need to be corrected if we are to restore the equilibrium necessary to the proper functioning of the market economy and restore the individual to his proper place.

At this point I must once again digress briefly to say that I am totally in agreement with the response of the President of the Canadian Labour Congress, Joe Morris, to the announcement last week that the federal government intends to impose works councils on industries coming under federal jurisdiction.

This is one of the many initiatives which the federal government sees as being necessary to get us out of controls. Mr. Morris was quick to point out that the C.L.C. had not been consulted on the proposal and he objected vociferously on the grounds that such councils would only serve to muddle communications between unions and management, thereby worsening rather than facilitating collective bargaining.

The C.M.A. and C.L.C. hold divergent views on many issues but there are also issues upon which we agree, and I do wish the government would listen to us when we express a common viewpoint.

We do need some fundamental improvement in labour-management relations and collective bargaining before controls can safely be removed. But the improvements must be much more fundamental than an attempt to transplant one aspect of the European systems into ours. Unless they were to evolve through the will of the parties in the Canadian system, works councils would generate hostilities rather than ease them. Works councils in effect would not provide any better representation than is currently enjoyed by workers in Canada. Works councils originated in Europe primarily because workers in the same plants belong to two or more trade unions and the works council was the only mechanism available to raise issues of the workplace.

The certification of unions on the basis of membership cards as evidence of majority support has often resulted in the use of unethical means to acquire the needed number of cards.

As for the laws governing union activities, we need to ask why the secret supervised ballot, which has been the cornerstone of democracies as a means of calling elected representatives to account at regular intervals, has been virtually abandoned in the field of labour relations. That the judgment of labour boards serves individual employees better than the ballot box as a means of determining their wishes is pretty confused thinking, in my view, and yet this is what the law says.

Law enforcement in industrial relations is another area where we need to ask some questions. The flouting of both labour law and the Criminal Code of Canada has become commonplace, with each unpunished violation reinforcing the myth that "anything goes", as long as it is sanctified by a picket line. Many people have forgotten that the sole legal purpose of a picket line is to inform everyone that a strike is in process. Any other purpose serves merely to trample on the rights of individuals to put in an honest day's work if they so wish. And the problem of disregard for the law is compounded by the fact that in most jurisdictions, unions cannot sue or be sued in the courts.

Disrespect for the law is also encouraged in some circumstances by employers. An example is when the employer drops legal action in connection with illegal acts by the union. This form of expediency serves only to encourage the further use of unlawful means.

There are many other ways in which individual rights are being trampled on:

— Should we continue to tolerate, for example, collective agreements that in effect deny the individual a livelihood solely because he chooses not to be represented or become a member of a trade union? Is this denial of the right to disassociate really fair to individuals?

- Should employees be obliged to join or pay monies to a labour union as a condition of employment by any level of government in Canada? Is this form of compulsory taxation really fair to individuals?
- Should government contracts be awarded only to unionized companies? Is this justice for individual workers who choose not to unionize?

The Woods report observed that: "Given the potential power that unions can exercise over present and prospective members, one would expect that steps would have been taken to prevent abuse. . . In fact little has been done except for the occasional ad hoc measure introduced in the face of glaring abuses."

More recently the Cliche Commission in Quebec, and the Waisberg Commission in Ontario revealed a host of examples whereby construction union officials have been able to systematically exploit construction workers. Quite apart from criminal prosecutions, it is evident that the monopoly power of hiring halls should be taken out of the hands of trade unions and this is precisely what the Cliche report recommended.

The original legislative protections thought necessary in the early days to shield and encourage an infant union movement have outlived their requirement. Surely there is no doubt that unions today are strong mature institutions. But this very fact places a heavy responsibility on our union leaders to strengthen their organizations by ensuring that the rights of individuals within their ranks, and of all Canadians, are fully respected.

Governments

Turning now to governments, there are signs that Canadians have become very disenchanted about the thought of governments doing everything for them. They have the nagging feeling in the pit of their stomachs that governments have reached the point where they are so large, so powerful, and so pervasive that the government sector is now a force of its own. It takes in and re-allocates over 40% of the total income flow. Canadians feel overwhelmed by the incredible range of laws, policies, regulations, standards, programs, subsidies, payments, prohibitions, taxes, forms, licences, tribunals, and so on, that now govern virtually all aspects of our lives.

With this pervasive presence, Canadians are wondering if governments still represent the people or if they are looking more and more after their own interests as massive institutions.

The creeping encroachment on disposable income by increasing tax loads, with dubious return benefits, is certainly leaving less and less discretion to the individual. And yet, I am encouraged to see a note of humility in the White Paper entitled: "The Way Ahead", which was published by the federal government just a few weeks ago. I think many of us were looking for something called, "The Way Out". But perhaps that will come a little later.

In any case, I noted a number of heartening statements. The White Paper said: "The government has concluded, however, that what is ultimately required to meet the challenges of the future goes beyond the introduction of new policy measures to a basic fundamental assessment of the role of government itself." And it also repeated a commitment to individual freedom and called upon individuals to do more on their own instead of relying on governments.

Certainly, with regard to a number of programs of transfer payments, a lot more Canadians have been telling their governments that, without abandoning the ideals of social justice, it is time we gave more attention to the rights of those individuals who produce and pay the bills. In other words, in a finite economy there are distinct limits to income redistribution schemes which seek to impose one particular group's conception of what should be.

This is heading in the right direction, but I think you would share with me the view that it's up to the electorate to insist that all the good intentions outlined in the White Paper are, in fact, translated into deed. And the first step towards that goal will be to establish conditions necessary to get the removal of wage and profits control.

This must be done to avoid incurring another round of inflation. Nothing shows more disrespect for individuals than inflation. The White Paper now acknowledges that restraint in taxing, spending and in intervention is the prescription for the future. The White Paper goes to great lengths to point out the inflationary results of rising expectations that exceed the ability of our economy to provide the goods and services which are demanded.

I think we can all accept the notion that the underlying causes of inflation are very complex and an important part of the solution is to explain to individuals how our market economy really works to his advantage. But the point I want to make here is that any program of public education and information explaining how the economy works can only be partially successful in defeating inflationary expectations. The real need is for us, the electorate, to give our full support to those politicians who have the guts to say no to inflationary demands. It is only with this support that they can effectively restrain the momentum of government spending and intervention.

To summarize then, I have said that companies need to take more time and more care to demonstrate their sensitivity to individuals. I have argued that unions are encroaching on individual rights as institutions — and that we should question their accountability. As for governments, I have argued that there are great dangers that their sheer complexity and size pose for the individual.

I think Canadians as individuals feel helpless as too many institutions, despite the best intentions, have imposed upon them their conceptions of what is supposedly in the interest of the individual. If the search for new approaches in the post-control era does nothing else but restore a greater respect for the individual, a great deal will have been accomplished.

In closing, it occurred to me that we need to take a new approach to the well known saying: "Stop the world; I want to get off." Canadians need a sense of participation, a sense of belonging and a sense of worth as individuals. Perhaps they are telling companies, unions and governments: "Stop the world; I want to get on."

The appreciation of the audience was expressed by Mr. James H. Joyce, a Past President of The Empire Club of Canada.

NOVEMBER 11, 1976

Sea Power in the 20th Century

AN ADDRESS BY Rear Admiral Godfrey Place,
V.C., C.B., D.S.C., R.N.

CHAIRMAN The President,
William M. Karn

MR. KARN:

Reverend Sir, distinguished guests, ladies and gentlemen: We of the Empire Club are highly honoured today in welcoming among our guests men of great distinction — men who in the armed services and in civilian life have performed feats of conspicuous bravery and gallantry in the interest of others, in circumstances of extreme danger.

As many of you know, the Victoria Cross was instituted on January 29th, 1856 by Queen Victoria's decree which proclaimed that it was to be awarded for conspicuous bravery. The medal was to be struck from the metal of guns captured by British forces at Sevastapol during the Crimean War, but since March 1942 when the total supply of Sevastapol metal had been consumed, gunmetal provided by the Royal Mint has been substituted.

On September 23rd, 1940, King George VI announced the creation of a new and very significant decoration which was to be called the George Cross. It was to rank next to the Victoria Cross and to be awarded to men and women in the British Commonwealth for acts of supreme gallantry and sacrifice not on the field of battle. It is intended primarily for civilians, and is made of silver. Provision was made in the royal warrant for living holders of the Empire Gallantry Medal, instituted in 1922 by King George V, and men and women who had won that award posthumously since 1939, to exchange that medal for the George Cross.

Our guest of honour, because of his great modesty, had to be coaxed by cable rather late in the day to reveal his biography for our advance notices. Included is one line which stated simply: "Commanded X Craft X7 1943 in attack on *Tirpitz* in North Norway (V.C. 1943)."

In anticipation of such reticence and of your interest, I visited the new public library in Birmingham, England one evening and from among other references copied the report by Brigadier the Rt. Hon. Sir John Smyth, B.T., V.C., M.C., of the attack September 22nd, 1943 on the *Tirpitz*, which was moored in the protected anchorage of Kaafiord, North Norway.

> Kaafiord is fifty miles up narrow channels from the open sea and well within the Arctic Circle. It is an almost land-locked basin some four miles long by one and a half miles wide. The Germans had moored a double anti-submarine net across four-fifths of the 1,000-yard wide entrance and had provided within it three widely spaced berths for the *Tirpitz*, *Scharnhorst* and *Lutzow*, each surrounded by a triple crinoline of anti-torpedo nets. To reach the anchorage necessitated the penetration of an enemy minefield and the passage up the fiord was known to be vigilantly patrolled by the enemy and guarded by gun defences and listening posts in addition to the anti-submarine net.
>
> The X-class midget submarine was the Navy's answer to this form of defence. It was only about 53 feet long, was no more than thirty tons, and was manned by a crew of four. Her weapons were two large detachable explosive charges to be dropped on the sea-bed under the target ship with time fuses of long enough duration to give the attacker time to withdraw to a safe distance. The midget submarines

were towed, submerged, by patrol submarines in the approach to the area of operations.

Of the six midgets in the overall plan of attack on the three battleships, only two, X-6 and X-7, reached their target, the *Tirpitz*, after a passage of at least one thousand miles from base.

Because they had been detected by the *Tirpitz*, they could not withdraw after successfully placing their charges. The commander and crew of X-6, which was scuttled, were picked up by the *Tirpitz* and were being questioned when the expected explosion occurred, causing complete panic on board the German battleship. Her gun crews blazed off indiscriminately, causing about a hundred casualties to their own shipping in the harbour.

Godfrey Place then surfaced X-7 and with his crew became prisoners of war. All were decorated. The *Tirpitz*, still in a crippled condition, was bombed and sunk by 29 Lancasters six months later.

Prior to this, our guest of honour had been awarded the D.S.C. in 1942 for his service in submarines in the Mediterranean. After that war he served on destroyers, then qualified as a naval pilot and flew with 801 Squadron from H.M.S. Glory during the Korean War, being made Commander in 1952.

He progressed through the service as Deputy Director Naval Air Warfare, being promoted to Rear-Admiral in 1968, and Admiral Commanding Reserves and Director-General, Naval Recruiting, 1968-70.

Upon his retirement in 1971, he became chairman of the Commonwealth Association of V.C. and G.C. Holders.

I am delighted to ask Rear Admiral Godfrey Place to give us his views on "Sea Power in the 20th Century".

ADMIRAL PLACE:

Mr. President, ladies and gentlemen: It is a great honour to be invited to speak to The Empire Club of Canada, among past speakers of great distinction, a number of whose talks I have read in your year book of last year kindly sent to me by your former President. I have been impressed by the wide range of topics on which former speakers have talked and I hope that my subject, primarily the sea, is both of interest and of relevance to the City of Toronto.

In talking about sea power in the 20th century, I shall be concerned mostly with the part of this century that we live in now, but I think this century as a whole presents a fascinating history of the use of the sea: not only in the means of exercising that power, the ships and the weapons, but in the very purposes to which we put the seas and oceans of the world.

At the end of the last century, or thereabouts, the essential patterns in the use of the sea and the means of exercising control and influence at sea had not changed for many centuries, but were a logical outcome which the development of wealth and technical processes had imposed on the pattern that had changed only in scale over the centuries.

The sea was, and remains still, primarily a highway. Indeed, it is not only the most practical and economical highway between states and cities but in so many cases, the only highway capable of carrying the volume of goods on whose trade nations have developed their wealth. The latter part of the last century, and the beginning of this, saw an enormous increase in this trade as demand increased with prosperity and, in turn, engendered the search and development of more and greater variety of commodities and materials from sources of supply more distant and more remote.

Nearly three-quarters of this planet is sea. It is not by accident that most of the world's major cities are seaports; it is not by accident that many nations who have developed wealth have at the same time developed power at sea as the means of not only protecting but developing the wealth in wider and wider markets and spheres of influence. There is no essential difference between the Phoenicians carrying tin from Cornwall in the pre-Christian era, the Spanish carrying the gold from Central America in the 16th century, and the British wool and tea trade at the end of 19th century. This is the plain straightforward use of the sea: to carry the raw materials a nation needs for its wealth and industry.

It follows that such trade needs protection (piracy in some form or another has always been a hazard), and it follows that protection must be afforded both to the home country and to the distant source of raw material or market. The great demand for both volume and variety of goods had pushed forward the frontiers of the developing world, as it was pushing forward the frontiers of technical knowledge. Sail was replaced by steam at sea, and factory replaced craft industry ashore. But it followed quite logically that Britain should seek to deploy naval power wherever her markets or source of supply might be threatened and that, as speed of communication increased and the movement of ships depended less totally on the elements, that naval force could be moved rapidly from one place to another in sufficient strength to meet any real threat. Very often, the very display of such strength was a sufficient deterrent. With the submarine, the torpedo and the aeroplane as yet unrecognized in potential, at the turn of the century it was the surface warship that was the tangible representation of sea power on which British prosperity ultimately depended. Other nations felt the need for navies to protect trade, overseas colonies and their own home shores, and one sees the start of a United States strategy to exert an influence towards the farther shores of the great oceans, but Britain saw her need as a navy strong enough to defeat any alliance against her, to be seen anywhere in the world as a massive display of force. Wealth and sea power went hand in hand, peace and prosperity followed.

The differences in this pattern began to become apparent in the First World War. One might deduce that Sir Francis Drake, having learned of the greatly increased sailing ability and fire power of Nelson's ships, could have looked on at the Battle of Trafalgar with considerable understanding. One might similarly assume that Nelson, having assimilated the merits of steam power and the long range gun, would not find the Battle of Jutland totally incomprehensible nor, I venture to suggest, would he have been lacking in his own ideas for the conduct of the battle. But both Drake and Nelson would have looked at the submarine battles of the Atlantic in the First War as a new dimension in warfare. The vast armies in France were dependent for most of their supplies on the western ocean and Britain would starve in a few months if the Atlantic lifeline, as it came to be known, were cut. Britain, with her allies, had provided herself with apparently overwhelming force for the exercise of sea power but, so radical had been the changes in sea warfare, that in 1917 the question must have been anxiously asked — is it adequate to keep the sea lanes open? As we know, it very nearly wasn't!

If we come closer to our present time, we would find Drake and Nelson, now comprehending the problems of the Atlantic struggle, and more in touch with the needs of a modern navy against submarines to which Britain had devoted considerable study between the wars, but both would look in some awe at the Battle of Midway and the whole vast deployment of ships and aeroplanes against an enemy many thousands of miles from the home country. For the allies, here was sea power to be used on the whole vast global scale.

In the Pacific, the enemy had provided themselves with the means of challenging the supremacy of the allies over a very considerable part of the Pacific, to achieve land conquests behind a screen of seaward defence. In the Atlantic, the other enemy had the means of interrupting and destroying not only the supplies to the armies in Europe and North Africa but to challenge the very means of survival of the nations who would act as advanced bases for the prosecution of the war.

It is an awesome thought, even today, how dependent were land forces deployed all over the world — in North Africa, the islands of the Pacific, in Russia, whose war industries were almost totally destroyed at the start of the German Advance, and later in Italy and France — how totally dependent were these massive armies on allied sea power stretched to its limit in every ocean of the world.

Fascinating as may be these thoughts of the past, my aim is more to look at sea power today and in the near future.

The development of atomic weapons since 1945 has produced the obvious corollary that direct aggression on the scale of the last two world wars can no longer be considered as a possible means of achieving political aims. I do not think that anyone would dispute that warfare on this scale would spell the end of civilization as we know it on this planet.

In an age when inter-continental ballistic missiles can put massive destructive power with pin-point accuracy anywhere in the world, how does one see the relevance of navies and the maintenance of sea power, not only by the great powers of the United States and Russia but by those of lesser wealth who, in the western world, make their contribution through the North Atlantic Treaty Organization?

Sea power was never cheap. Whilst sea power has contributed to the prosperity of powerful and wealthy nations, those nations have also needed the wealth to support costly fleets: today, not only are ships and weapons enormously costly, but — unusual in the history of the sea — the sailors must be properly paid. In the past, ships could be held in reserve unmanned to be ready in emergency and further ships could be adapted from merchant vessels; today, the warship is too specialized for it to be effective from merchant ship conversion. It is too complex to remain in an unmaintained reserve, and it is so involved as to be slow to build. One simply cannot visualize any cheap way to have sea power, so to speak, at the ready and, although a reserve of trained or partially trained manpower is clearly a requirement, one must visualize that the ships in being and in commission, and deployed in their present positions, constitute the sea power of a nation or an alliance to meet an emergency.

There are two principal events, and, of course, a whole heap of lesser ones, which seem to me to have vindicated the western allies' policy of keeping powerful fleets in being in the past quarter of a century, when there have been times when criticism has been cast on the policies.

It was, to my mind, a most courageous decision for the United States and the western allies to go to the support of South Korea when that country was invaded in 1951. A reliance on overwhelming sea power to ensure the safety of the supply line from America and Western Europe made it possible — so undisputed, in fact, that the idea it might be at risk hardly entered anyone's mind. It was also, to my mind, one of the truly great decisions of the 20th century that at the same time President Truman decided to maintain and even re-inforce allied forces in Europe — again, an impossibility without the security of the Atlantic for maintenance and supply.

The lesson was not lost on Russia. However, much as she may have wanted to extend Communist influence in the Far East or extend her frontiers and satellites in Europe — and, heaven knows, she had annexed a great deal since 1943 — she had no way of even threatening allied power at sea.

Had the Russian submarine building program been further advanced, or had there been more of her cruisers (then under construction) capable of showing a presence at sea, the threat might or might not have had an influence on the future of both the Far East and Western Europe. We don't know. But to the Russians, it was clear that she lacked the means for exercising the options. To keep those open, she increased her submarine and cruiser building programs.

Russia had traditionally regarded her naval forces as an extension of the land battle. Indeed, as a land power with an empire adjacent to her land frontiers, although none the less an empire, she had not joined in the world scramble for overseas colonies in the late nineteenth century. She had wealth of untapped raw materials and undeveloped resources within and adjacent to her own frontiers. But the events of the 1950's showed her the value of being able to dispute on the high seas. It was also in the 1950's that we saw the policy of deterrence by the threat of nuclear retaliation to preserve the peace of the world exercised by the West, in terms of the striking power of atomic weapons directed from the United States and N.A.T.O. striking fleets. At that time, before the nuclear-missile-carrying submarine gave increased immunity to detection and before the development of the intercontinental ballistic missile made strike or retaliation possible from secure shore bases, Russia developed a fleet of ships still designed as an extension of the land forces, to protect Russia from western strike on the home country.

But, one suspects, Russia had never lost sight of a declared communist intention of seeking a world dominated by sympathetic communist governments and, as Russian industry recovered from the destruction of World War II, this intention became apparent in countries of Africa and the Middle East and, most noticeably, in Cuba in the early 1960's.

When the United States felt herself threatened by the establishment of missile firing bases in Cuba within the Western Hemisphere, her reaction was immediate and decisive. The United States had the sea power to dominate the local scene: Russia had neither the ships nor the training to make any show of force in the waters round Cuba — and the world breathed again!

We do not know, again, whether Russia would have exercised a show of force at the time had she been able to do so, or what might have been the result. But clearly what Russia felt was that she lacked this option, and it is from that date that Russia decided that her fleets should no longer be simply an extension of the land battle but should be composed of ships capable of ranging the oceans of the world and have crews trained in a worldwide role for both peace and war. Today, we see that policy coming to fruition as the Russian navy approaches parity with that of the United States and as she admits to spending 12½% of her gross national product on defence — and it may well be more — as opposed to 3 to 7% in western countries.

So, as we stand at the start of the last quarter of the 20th century, it is as well to take stock of the world in relation to its largest element — the sea!

International trade has become the basis of the wealth of western nations and no country in what we call the western world is entirely self-supporting; all would suffer in their present standard of living were they to stop trading with other nations. Some 80% of international trade is carried by sea, a greater volume than ever before, and no one can visualize the possibility of this international trade being carried by other means. The sea as an international highway is of vital interest to western countries for their whole way of life.

We have accepted a defence policy of deterrence: the principle of massive nuclear retaliation to deter any direct aggression. Clearly, it would make no sense to embark on nuclear war for a single small act of aggression, so the western powers maintain a sufficient force on the ground and supporting air bases to contain lesser violations. These forces stationed overseas rely on the sea for their supplies and could probably continue as effective forces for a few weeks only were that supply line denied to them.

The sea is becoming a source of mineral wealth. The past 25 years have seen the exploration of the sea bed for oil and we are now seeing the fruition of that work as increasing supplies of oil are coming from off-shore rigs. Whether other minerals will be extracted from the oceans or the ground below is hard to predict, but there is no doubt they are there.

Fish from the sea is an important food supply, and the fishing fleets of many countries range the oceans of the world, some further from their own shores than ever before. One looks at the possibilities of fishing deeper and more efficiently to back up the world food supplies and the prospects of fish farming on a sizeable commercial scale are more than fanciful dreams.

The sea, in fact, in this latter part of the 20th century is as important to our prosperity, to our national strategies in the maintenance of peace, and to our sources of power and food as it has ever been before, and it would be too idealistic to hope that individual national interests will not conflict in its use. The use of the sea needs protection as never before.

In this setting we see also nations developing in wealth and power as their political systems adjust to this century and as their peoples seek an equivalent standard of living to others. And one cannot but take note of an ideological conflict in the world and of the communist creed which links those countries adopting that ideology and political system with Soviet Russia. The vital strategic difference of the last quarter of this century is that Russia has now provided herself with the fleets capable of exercising sea power as both a show of force and a practical means of modern warfare anywhere in the oceans of the world. It is a circumstance, call it a threat if you wish, that no nation which values its peace and prosperity can afford to disregard.

We have established the North Atlantic Treaty Organization to contain the direct expansion of communism into the western world at its most obvious point of contact, and there is no doubt that the contribution by the various nations to this treaty has preserved the world from major conflict for more than 25 years. But such is the versatility of sea power on a world-wide scale that ships today can deploy the striking power of modern weapons, or even ground forces if need be, so quickly that the immediate advantage of the aggressor can be decisive in circumstances that could not be allowed to escalate to major nuclear war. Indeed, the very threat can be decisive where there is little or no force available to counter it. If Russia has now provided herself with the means of exerting that threat whenever she chooses, the western nations must face this influence in all areas of our planet, however remote they may seem to us today.

The exercise of sea power, as I have said, is not cheap and God knows what sacrifices the Russian people have had to bear to build up so large a fleet in so short a time; but it is capable of bringing within Russian influence and within Russian ideology areas of the world which may directly influence our prosperity and our way of life and it is impossible to believe that this effort was made solely for reasons of prestige or keeping up with the Joneses. Its existence and capability, even its peaceful visits to other countries, are an evidence of the power of Russia and of a policy to extend that power whenever opportunity may offer.

It is not for me to put forward strategies for western nations to counter what seems to me a threat of world-wide domination, now in overt capability of sea power where, until recently, this threat has been more in subversive and covert means. But, so dependent are all our western countries on the sea and its peaceful uses that to disregard this new dimension in sea power today would be to our individual and collective peril — even to the loss of our whole way of life.

The appreciation of the audience was expressed by Colonel S. F. Andrunyk, O.M.M., C.D., a Director of The Empire Club of Canada.

NOVEMBER 18, 1976

Between Friends—Maintaining Confidence Canada/U.S.A. Style

AN ADDRESS BY Ron Collister, Esq.,
POLITICAL BROADCASTER AND COLUMNIST

CHAIRMAN The President,
William M. Karn

MR. KARN:

Reverend Sir, distinguished guests, ladies and gentlemen: On the night of November 2, 1920, Radio Station KDKA in Pittsburgh told its few local listeners that Warren G. Harding had been elected President of the United States. That was the beginning of radio broadcasting in North America, as we know it today.

Fifty-six years later, on November 2nd, 1976, Mr. Ron Collister and his colleagues reported for the Canadian Broadcasting Corporation's National TV Network, the gradual unfolding of the outcome of the latest U.S. presidential election. That eight-hour presentation was the culmination of a two-year CBC assignment in Washington for our guest of honour to cover what became known in its final phase as the Ford-Carter election.

Since our economic well-being is so dependent upon the fortunes or misfortunes of our southern neighbour, 68% of our foreign trade being with that country alone, many Canadians, as well as the 200,000 U.S. citizens resident in Canada, were keenly interested in this political contest from its inception. Interest rose as first the Democratic nomination propelled Jimmy Carter into the limelight, followed by the Reagan-Ford Republican contest in Kansas City.

In fact I thought that Messrs. Ron Collister and Lloyd Robertson gave such a masterly presentation of that Republican convention for the CBC in August of this year that I had the audacity to approach Ronald Reagan to address our club. That was when I learned that an ex-governor of California most assuredly does not work for peanuts.

Mr. J. D. MacFarlane of the *Telegram*, now editorial director of the *Sun*, gave our speaker his start in Canada twenty-two years ago. At the *Telegram* he gained wide experience as a reporter (even covering Empire Club luncheons), an editorial writer, its Bureau Chief in Washington during the Kennedy régime, and in Ottawa until 1967 when he switched to the CBC.

In 1974 he climbed right into the federal political ring in York-Scarborough, and after the gong sounded went to Washington instead of Ottawa. His subsequent telecasting from the United States has given Canadians a day by day ringside view of contemporary political life in that country.

Now he has returned to the Press Gallery in Ottawa and back to the world of print at one of the most significant moments in the history of Canada, serving as Political Editor for the Toronto *Sun*. Never since Confederation has the moulding of public opinion and the future of Canada been more dependent upon capable cool-headed objective analysis and reporting by the news media. This is where our guest of honour excels.

Ladies and gentlemen, we welcome Ron Collister back to Canada, and it is now my great pleasure to invite him to speak to us on the subject "Between Friends — Maintaining Confidence Canada/U.S.A. Style".

MR. COLLISTER:

Mr. Chairman, ladies and gentlemen: We have all had a nasty shock this week.

While I was listening to the Quebec election results, I wondered if I should change the subject of today's talk. I decided not to. If anything, the Quebec vote increases the urgency for a new national debate on the future of Canada-U.S. relations, with alternative scenarios, Quebec in — and Quebec out.

I believe that Quebec will stay in Confederation. Many people do not. They believe that René Lévesque, who has charmed the voters into supporting a separatist party, can charm them into taking the final step.

The enormous doubt could hang over Canada for a decade, through one or two referenda: and, if one is successful, through the actual process of attempted separation. While this doubt remains, it would be foolish and irresponsible for our governments to plan only for a happy ending. It would be wise for all of us to consider our changed place on this continent, should the country break up.

This kind of sober review should cool the ardour of the two extremes, separatists who say, "To heck with the price", and English-speaking Canadians who say, "Let them go".

Canada, united, is more powerful, more economically viable, more significant than the sum of its parts. If Quebec goes, the pressure for absorption by the United States of all or parts of English-speaking Canada would intensify. It would not succeed. But we would have lost some of our best arguments for withstanding that pressure. In our dealings with Washington, we have argued that we are different, culturally and linguistically, and we must stay different to stay intact and provide Washington with the comforting reassurance of a stable neighbour to the north. After separation, how different would we really be?

Another argument, used more effectively in the days of the Old Relationship, was that Americans must always be aware of the impact of thoughtless action on the delicate Canadian Confederation, particularly on Quebec. After separation, how effective would that argument be?

I repeat that, in my view, Quebec will stay in Confederation. But the jury is out and the dangers are great.

The cool, unruffled reaction of the U.S. State Department and business leaders should not be interpreted as a lack of concern. It is the natural reaction of people avoiding panic and protecting their interests. It is also safe to assume that the basic decision that Canada is no longer a safe place to invest was taken by many American companies a long time ago.

The possibility of Quebec separation was always one factor. But there were many others. I remember attending congressional hearings into Canada's foreign investment legislation which, incidentally, is considered, at best, a paper tiger in the United States. The real concerns expressed in and around those hearings was that the basic investment climate was bad, particularly in Saskatchewan, with its move to take over the potash industry: and that labour unrest, to quote one businessman, was as bad as it is — or has been — in the United Kingdom.

Why bother with all the hassle? It was just as easy and just as profitable to invest at home.

The indecision in Quebec, therefore, could not have come at a worse time, adding more questions to the mountains of doubt about Canada as an area for investment. That doubt is sure to show in investment decisions.

Did you notice, the other night, the youthfulness of those jumping for joy over René Lévesque's victory?

You may not know that last month there were 90,000 Canadian men, between 20 and 24, looking for jobs in Canada. 41% were Quebeckers. I suggest that these young people, in their reaction to Lévesque's victory, were staging a dance of hope, not a wake for Confederation.

So, for a start, we need some new economic policies out of Ottawa that will help Quebec and all the provinces. And we need the additional benefits that are sure to come from an improved relationship with the United States.

It is time to stop telling the Americans we don't need them. We do. It's time to stop jumping up and down on their toes and asking why they howl. It's time to stop blaming the United States for the level of its foreign ownership which, in its day, was essential to Canadian growth — and to pursue positive Canadian policies. And it is time to start rebuilding a relationship with the United States on goodwill and commonsense, if only from the point of view of self-interest, to exploit the opportunities that are certainly ahead in a revitalised America.

I was in Ottawa when we started the painful pursuit of the third option, to make us less dependent on trade with the United States.

We did fairly well. We turned to Europe. It was booming. Now it is floundering. We turned to Japan, which still doesn't want our manufactured goods, the kind that make jobs for Canadians. And the Chinese? We are still waiting.

And while this has been happening, the percentage of overall trade still conducted between Canada and the United States is about the same, the largest trade between any two countries in the world.

I hope I won't be considered un-Canadian and offensive to our nationalist friends and their comfortable belief that Americans have horns and conspire endlessly against us. But I do agree with the U.S. ambassador to Ottawa when he says the election of Jimmy Carter should produce an upbeat period in our relations. And also an upbeat period in the United States. It's already started. But maybe you haven't heard it yet. That leads to another point I will deal with later, the curbs on information flow in our nationalistic society.

Democratic times, generally, are good times for Canada. But so, occasionally, are Republican. I remember when I last lived in Washington, around 1960, we were delighted that President Eisenhower was allowing more and more Canadian oil to enter the country. That was the Canadian policy, to sell as much oil as possible to the United States. The new, turnoff policy, I am sure, is wholly correct, but take some time to understand the American shock.

It's time to start talking like friends again. René Lévesque says if you don't share the same bed, there should be a divorce — in the context of separatism. Well, Canadians and Americans share the same continent and we should not divorce.

In the arrival of Jimmy Carter, there is an opportunity for a fresh start in our relations.

First of all, we should be comfortable with his foreign policy. Its base is strong leadership and a well-muscled defence. A dedication to a new morality in foreign policy and in government around the world: and an end to the secretive, Lone Ranger diplomacy of Henry Kissinger, now looking for a job.

Decision-making will be out in the open — a trend in Washington, but not in Ottawa, where the buddy system is still the key to unlocking information. In the United States, information is now regarded as a constitutional right, so we should know far more about what's going on in Carter's Washington. Whether or not we will understand it, that's another matter.

Carter *is* committed to easing tensions with Canada. I wonder if he knows how big a job that's become. While in Washington, I felt there was a new Department of Bad Timing and Useless Provocation in Ottawa. Minor issues made tidal waves. Nationalism, it seemed, was the sacred cause, whatever the price.

Carter's choice of Vice-President, Fritz Mondale, could not have been more fortunate for Canada. As a Minnesotan, Mondale has laboured in the U.S. Senate for causes that usually parallel those of Canada. He has fought for overland pipeline routes through Canada, the routes generally favoured by Canada: and he has ridiculed Canada's critics who say we can no longer be trusted as a route for energy from the Arctic to American markets.

So the arrival of Carter and Mondale should be an occasion for optimism in Canada.

What concerns me more at this moment is not the initiatives Carter may take, and their impact on Canada, but whether or not Canada is able to react to the opportunities in the new situation.

I have been away from Canada for two years. The changes have shocked me — not only in the area of separatism and economic rot and linguistic bitterness. But also in the Canadian view of the United States. In some ways, I feel I am not returning home: I am landing on an unknown planet. I am appalled by the anti-Americanism, the paranoia, the senseless nationalism, the distorted view of the United States.

If this is the price of nationalism, I, for one, am not willing to pay it. I believe the hope for a prosperous, independent Canada able to cope with its internal stresses and identity problems is a healthy economy built on the closest possible relations with the United States.

If you want to call that a "special relationship", that's fine with me. We didn't do too badly under the old one, and I couldn't understand the haste to bury it. It needed revival, not burial.

In our situation, realistically, we must have a special relationship. We share a continent divided by an artificial border and our troubles arise when we try to make it more than that — by interfering with television signals and telling people what they should read.

The arrival of Jimmy Carter is a good point in time to reconsider the past and plan for the future.

Despite all the desperate efforts to divert trade to other places — efforts that began with John Diefenbaker's 15% diversion plan — our trade with the U.S. is booming. Two-way trade this year will likely be around fifty billion dollars. Even at that figure, we have neglected the United States in terms of trade promotion — and that now shows. We are in deficit — and that's a serious business. In our pursuit of exotic new markets, we have preferred the experimental to the sure-thing. And now there's a panic in Ottawa to launch a major trade drive in the United States next year. Not before time.

We must give some clear indication to the United States that we are moving away from our hothouse of nationalism, indifferent to and insulated from the real world.

The architects of nationalism, generally, are politicians, academics, the media — striving for popular acceptance for the notion that all troubles come from the outside and the solution, simply, is to shut them out. This kind of nationalism, like separatism, is a distraction manufactured by leaders who do not have answers to the problems they were elected to solve. It is not a toy. The damage can be immense. My answer to those who preach it from comfortable pews is that I would not expect anyone to pay a price for nationalism — such as a place on the jobless lines — that I was not willing to pay myself. That attitude might restore some perspective to the limitations on nationalism.

Another casuality in the nationalists' crusade is information, from solid, reliable, varied and global sources, the mixture needed for adult decisions by Canadians. At present, a kind of information curtain is falling around Canada, another expression of the nationalist movement. Simply, it force-grows Canadian events to a size beyond their relevance, and shuts out information that might disturb the nationalists' scale of importance. In this situation, there is a serious danger that Canadians will believe whatever they hear, because it is all they hear. Canadians are saturated by one point of view. It breeds itself. It's all-pervasive. And it's highly critical of the United States.

I suggest that if there was ever a time when we should be willing to take a new look at the United States, to find out what's really going on, it's now.

If we did, we might learn a great deal.

Why is the United States solving its problems better than we are, despite our controls program?

Why has there been such a re-birth of confidence in the United States?

Why has the United States such basic strength that, after a couple of years, it can shrug off the debilitating effects of Watergate and Vietnam, two events that would have crushed most other civilizations.

Why is there now such tremendous optimism in the United States?

Why is the rate of increase in crime slowing?

Why are people trickling back to the city cores, scorched battlefields only a few years ago?

And why are blacks happy to return to the south, the new land of opportunity?

The United States has not solved its problems, but it has turned a corner.

This is being called the start of the second revolution, to honour the broken promises of the first. At stake, says John D. Rockefeller the Third, is a higher level of human existence — or anarchy and despair.

Under Jimmy Carter, the emphasis is going to be on the quality of human life. In the important areas, we have much to teach the Americans. Health care for all, peace on the streets, rebuilding of cities. These are priority items in the agenda of the Carter administration.

To pay for all this, Carter will need to find new money or stimulate the economy to provide new government revenues. The danger in stimulation is a return of inflation. But the business community, after some uneasiness, seems to be showing confidence in his ability to handle the situation.

Business would have preferred Gerald Ford, the Abominable No-Man of government spending. They were suspicious of Carter — and Ford's charges that Carter's promises carried a $200 billion price tag. That was campaign rhetoric. Carter will be best known for the spiritual qualities of his leadership. His actions may be fairly routine from a moderate Southern conservative with a large social conscience and a preacher's instinct for healing wounds. Any major tax reform is a year off. He will probably approve a tax cut of fifteen to twenty billion dollars — and he has already eased businessmen's fears in agreeing not to replace Arthur Burns, Chairman of the Federal Reserve, who controls the money supply and is much respected by business. The changes are more likely to be in presidential style, for the first year or two, completing what Gerald Ford began — the restoration of the Presidency, after Watergate. Carter has no mandate to stand the country on its ears. Given the reality of fifty billion dollar deficits, the threat of renewed inflation, the need to keep business enthusiastic about the economic revival, now faltering — he's going to be called "Cautious Carter" before too long. His line of merchandise is *hope*.

My concern, at the start of the Carter era, is that Carter and Trudeau — and whoever succeeds him — should hit it off. That should cast a warm glow over governmental contacts in both countries.

However, the record of personal relations between American presidents and Canadian prime ministers is not good. John Diefenbaker and John Kennedy, as we now read in the Diefenbaker memoirs, really loathed each other. Lyndon Johnson couldn't remember Mike Pearson's name. He called him Harold Wilson. Richard Nixon used bad language about Pierre Trudeau on a Watergate tape. And Gerald Ford, as far as I can gather, respected Trudeau — but could never understand him — an attitude that seems to be spreading among Canadians.

In conclusion, in a serious vein, I should show my colours. I am a realistic nationalist. But I am concerned that the excesses of nationalism will do terrible damage to Canadians and their standard of living — and, most of all, to people who take no sides on the issue.

In nationalism and separatism, we are on a suicide course, when the target is a global society.

New York Times columnist James Reston says we are entering a critical period in the politics of the world. We have come to a fork in the road, where there will either be a decline into separatism, nationalism and protectionism, or a determination to break with the past and create a new world order. Henry Kissinger stresses the same theme, that with all the dislocations around us, there exists an extraordinary opportunity to form the first global society, carried by the principle of interdependence. If we miss that opportunity, he says, there's going to be chaos.

It's time, I say, for Canadians — and Quebeckers — to see the signs and make the only choice. Thank you.

The appreciation of the audience was expressed by Sir Arthur R. T. Chetwynd, Bt., a Past President of The Empire Club of Canada.

NOVEMBER 24, 1976

Armed Forces and Détente in Perspective

AN ADDRESS BY General J. A. Dextraze,
C.B.E., C.M.M., D.S.O., C.D.,
CHIEF OF THE DEFENCE STAFF,
THE CANADIAN ARMED FORCES

CHAIRMAN The President,
William M. Karn

MR. KARN:

Your Excellency, Your Honour, Reverend Sir, distinguished guests, ladies and gentlemen: I am particularly pleased to welcome our guest of honour today because he was the first of our list of distinguished speakers for this club year to accept our invitation and confirm a date to visit with us.

However, as with some military plans conceived six months before the event, a last-minute change of date became necessary, and it is rather significant to note that in this hotel, there are being featured simultaneously two activities which contribute greatly to the unification of Canada. Both events happen to involve organizations which although largely related to Ottawa, draw for their support from the entire country.

The other event to which I refer is the Grey Cup luncheon which is bringing together for tumultuous revelry Canadians from coast to coast, while in this hall we host our Queen's representative for Ontario and those responsible for Canada's armed forces — a team of champions by any international standards.

We view with pride the role our armed forces are playing in defending Canadian security and sovereignty, and their contribution to international stability, by maintaining many operational and training missions in Canada and throughout the world.

Our co-operative NORAD agreement with the United States, our support of the NATO alliance, and provision of forces for United Nations peacekeeping activities are well known. Less familiar to us is the concern of our military authorities with détente, a situation which has arisen because of a change in the overall balance of forces — economic, political, social, and military — in favour of the Soviet Union.

No one is better qualified to acquaint us with this subject than our speaker today, a dynamic battle-seasoned soldier.

General Dextraze prepared himself academically prewar and post-war by studying Business Administration both at MacDonald Business College and Columbia University. In 1975 he received the degree of Doctor, *Honoris Causa*, of Administration from the University of Sherbrooke.

Although he joined Les Fusiliers Mont-Royal in 1939 as a private, he was commissioned within two years and served in this battalion in U.K. and Northwest Europe until 1944, when he was appointed its commanding officer. He was awarded the Distinguished Service Order that year and the Bar to the D.S.O. in 1945.

In June 1945 he was named commanding officer of the Hastings and Prince Edward Regiment for service in the Orient, but hostilities ceased shortly thereafter and he accepted his release from the army.

After a short period with the Singer Manufacturing Company he was recalled, when the Korean conflict began in 1950, to command the 2nd Battalion, le Régiment Royale Vingt-Deuxième. In 1952, he was made an Officer of the Order of the British Empire.

Upon his return to Canada in 1954, each step up the military ladder was merely preparation for the next. The rank of Brigadier was his by 1962 and he was off to the

Congo in December, 1963 as Chief of Staff Headquarters, United Nations Operations. For his gallantry in that theatre he was promoted to Commander of the Order of the British Empire. Back in Canada in 1966 he was received into the Most Venerable Order of St. John of Jerusalem.

Through the ranks of Major General, and Lieutenant-General he hurried on to "four star general", becoming Chief of the Defence Staff and of the Canadian Forces (Land, Sea, and Air) September 1972. A month later the Governor General made him Commander of the Canadian Order of Military Merit.

I am assured by my military friends that he is a soldier's soldier.

Ladies and gentlemen, it is indeed an honour for me to give you General J. A. Dextraze, C.B.E., C.M.M., D.S.O., C.D., to speak to you on the subject "Armed Forces and Détente in Perspective".

GENERAL DEXTRAZE:

Your Honour, Mr. Chairman, ladies and gentlemen: thank you for such a warm welcome. Before I begin, I wish to express my appreciation for having been invited to speak to your club today. I consider it a great honour.

My subject is "The Armed Forces — Détente in Perspective". In other words I will be speaking to you about the defence of the "western way of life" — our way of life.

As both the Chief of Canada's Armed Forces, and President this year of the NATO Military Committee, I consider it my duty to speak out on the requirement to defend our democratic institutions in the world today. To me, this means much more than simply maintaining an adequate and credible military establishment. It means that we must have the self-discipline to voluntarily undertake those actions, and to make those sacrifices, which in a totalitarian state can be, and are, directed from on high.

My credentials to speak on this aspect of defence are those of a Canadian citizen who has in his lifetime been through war three times as a front-line soldier, and who has had a son killed on the battlefield in the defence of democracy. As a result, it is my sincere conviction that I have the right, indeed the duty, to seek to influence the course of the society in which I am privileged to live and am dedicated to defend.

First then — the military defence. Why does the Western World need to maintain large, professional Armed Forces? Why do we need to spend billions of dollars annually on military personnel and equipment when there are so many other things we could do with such a large proportion of the nation's wealth?

You all know the answer, but it is worth restating: we live in a far from perfect world.

There are two nuclear superpowers — one our neighbour to the south, the other across our Arctic frontier. There is the vast difference in living standards between the rich and poor nations of the world — and Canada is one of the richest. There are the intractable local conflicts — of which the Middle East is the classic example — caused by differences of race, colour, language, religion, or political belief.

It is an uncertain world, where conflict can break out overnight, and where there is one superpower that is the focus of an international expansionistic ideology, and that openly, even proudly, proclaims its goal of world domination. Its party congresses, held every five years, proudly acclaim their progress in this regard. No method is ruled out by them in achieving their aim — be it economic, political, military, or social. Like the good chess players they are, they use each piece to its best advantage, sacrificing some on occasion to win over other pieces or to gain a strategic advantage.

We cannot insulate ourselves from this world. We must help to maintain the strategic balance of power. Otherwise we may be forced to accept the possibility of fortress North

America facing an authoritarian continent of Europe. If this should ever occur, our way of life would be seriously threatened or, at best, severely altered. Our consequent defence costs would unquestionably be far greater than they are today under our present mutual defence arrangements.

As you know, we have reached the point where if either the United States or Russia resorted to nuclear war the result would be massive destruction for both countries, and for most of the rest of the world. This fact leads many people to believe that war is now out-of-date, that neither superpower would dare to take aggressive action against the other. This same reasoning also leads some to a belief that the Russian leaders truly want détente, truly want peace: to a belief that the "spirit of Helsinki" is the spirit of the times and that military forces need to be big enough to act only as trip wires, not as a defence in depth.

I want to make the point very strongly, that this feeling of "safety under the nuclear umbrella" is illusory. It is, indeed, a very dangerous illusion, because our only potential enemies do not think that way at all. However, let us ignore what their intentions are for a moment. Let me ask some questions about their capabilities:

Why does the Warsaw Pact maintain over 26,000 modern tanks in Europe, or three times as many as NATO — with thousands more in reserve west of the Urals?

Why do they maintain over 4,200 modern tactical aircraft in Central Europe or better than twice as many as NATO?

Why do they maintain over twice as many men under arms, with three times the heavy artillery fire power; why have they increased their deployment in Central Europe by five additional divisions?

Why are they expanding their navy at such a pace that they will soon possess a superiority of naval power in every sea and ocean in the world?

Why are they, in a period of supposed détente, as officially reported last week, spending billions of dollars annually to ensure that their industrial facilities can return to full production within three days after a retaliatory attack. Although this may at first glance appear to be a defensive measure, it must in a period of détente be considered as a major destabilizing factor and thus offensive in nature.

Finally, why are they continuing to replace, modernize, and increase their military equipment at such enormous cost to their civilian economies?

The answers to these questions can be known only to the leaders of the Warsaw Pact, but we must answer two other questions. What could they do with this enormous military power, if they choose to exercise it? In other words, what is their capabality? And what *do* they intend to do with it?

Military men must deal with the first question — their capability. The Alliance must have forces which the opponent sees as being sufficient to leave him in doubt as to the success of any military action he may contemplate. That is deterrence in its simplest most direct form. My colleagues and I in NATO's Military Committee seek to maintain forces which demonstrate that the opponent will be met and checked on any venture he may contemplate. We must base the size and strength of those defensive forces upon the strength of the Warsaw Pact's forces. There is no other choice.

We must also, of course, make some assessment of the intentions of our potential enemy. We know that the eastern economies are relatively weak. Their agriculture and consumer-oriented industries cannot provide a comparable standard of living to that prevailing in the west. They need massive investment in agriculture, industry, infrastructure, natural resources, and in particular, in technology. In a nutshell, they need a massive redirection of manpower and money from military production to civilian production. They already have an enormous military establishment, yet instead of diverting resources from swords to ploughshares, they are increasing their military might. In my opinion this is a conscious political decision.

Let me quote Mr. Gromyko:

> The actions of the Warsaw Pact are having a major influence in shaping the situation not only in Europe but far beyond Europe . . . the Forces of Peace and Progress (the Warsaw Pact Forces) now have a visibly increased preponderance and may be in a position *to lay down the direction of international politics.*

There we have a clear statement of their intentions. Notice that he said "may be able to. . . ." Clearly their steadily increasing power is designed to put them in a position where they "will" rather than "may be able to" lay down the direction of international affairs.

So, we have their already massive and increasing military strength combined with their stated intention to "direct the course of international affairs."

That is their interpretation of "détente", their interpretation of the "spirit of Helsinki". Upon this evidence we can reasonably ask: *Who is threatened* and *who is threatening*?

Now we come to perhaps more subtle considerations. If the leaders of the Warsaw Pact are rational men, if nuclear war is unthinkable to rational men, how can they plan the use of this power?

First, if we maintain our complacent illusions and allow the Warsaw Pact to become much more powerful than we are, they can, and will continue to exert unbearable influence upon their neighbours, and upon weaker states throughout the world, without ever having to use their power in open conflict. Such can only be obviated or countered by having sufficient forces in the west to truly deter the U.S.S.R. from embarking on military ventures which affect the world balance of power.

Second, the Warsaw Pact could actually take aggressive conventional military action in Europe and put the leaders of the west in the position of having to surrender or use nuclear weapons. We must avoid either alternative. Remember, Hitler occupied the Rhineland with little more than one division, for he knew that his opponents were too weak to respond individually and lacked the resolve to respond collectively.

We must maintain conventional forces wherever they are needed and in such strength as to at least deter any attack. Having the confidence that we have the conventional capability to place in question the outcome of any action by any opponent will give us the confidence to resist any other pressure to which we may be subjected.

Experience in war and peace, and particularly during these last four years as Chief of the Defence Staff, leads me to the strong conviction that the only sensible course for the western democracies is to maintain their conventional military strength at a level which will allow them to know that any non-nuclear military attack on their vital interests anywhere in the world, but most particularly in Europe, cannot be undertaken with any prospect of success by the Warsaw Pact nations.

You will note that I have very carefully been using words and phraseology directed not at war, but at preventing or deterring war. Although preparedness for war and for deterring war both require strong military forces, there is a tremendous difference in the philosophical concepts involved. Being prepared to deter war requires forces here and now, not the capability to marshal forces after war starts. It requires continual expenditure on military equipment which, if bought in time and in adequate numbers, will never have to be used in war. Those costs of peace, of deterrence, although reluctantly made, are much less than the costs and suffering caused by war. To lose the battle of deterrence is to lose the first major campaign of a war, if not the war itself. In fact to be unable to deter potential aggression is to invite war.

What sort of forces would we need to assure members of NATO of this confident security? Let us consider Europe. If we have sufficient forces on the ground to resist aggression for two weeks, we could fight for two weeks before again being faced with the choice of surrender or nuclear holocaust. Would this short delay be worth the expenditure necessary to achieve it? Perhaps it would, but merely delaying the inevitable is not a satisfactory result. We should be in a position to defend the European frontier for as long as is necessary without being forced to use nuclear weapons. This could be achieved only by increasing NATO's present strength, but the increase would not need to be drastic. What is necessary is well within the capacity of the west. The defence does still have an inherent advantage, and NATO must have sufficient men and sufficient modern equipment and stocks in Europe to demonstrate its willingness to fight until reinforcements and supplies start arriving from North America. Of course, we must also make it abundantly clear that we have the resolve and the means to control the North Atlantic and the air above it to ensure the protection of the homeland and the fulfilment of the concept of reinforcing Europe. Given this situation, the Alliance would be in a position to maintain peace, and to do so without having to threaten the use of nuclear weapons. That is, we could maintain peace, maintain our society, and, at the same time, raise the nuclear threshold. We would have peace — but not peace at any price.

The cost to the western democracies would be well within their capacity. The industrial potential of the NATO Alliance is enormous. I cannot say that to increase Allied Forces would not increase what is already seen as the heavy burden of defence expenditure, but I can clearly say that no other aims of our society are achievable if we fail to maintain the security of the territory and the resources of ourselves and of our friends. Bluntly put: it is a burden that we members of NATO cannot afford to lay down.

I think you will have noticed from what I have said so far today that military strategy is not fixed and immutable. You will remember Mr. Dulles and the doctrine of massive retaliation followed by the doctrine of flexible response, and you will have realized that I have spoken today of a significant refinement to the doctrine of flexible response. I could call it the doctrine of sustained conventional response.

Of course, the nuclear option is always there, in the background, as the final sanction. But we should be in a position to protect ourselves more sensibly than by having to initiate the use of nuclear weapons. We simply must have the capacity for sustained conventional response. The alternative is unacceptable, we need to have the choice in order to choose.

I have already said that the west can afford to maintain the necessary military forces. We can in fact afford them more easily than can the Warsaw Pact. If we decide to do so, we can be militarily strong enough to live in peace and security, and perhaps, eventually, the eastern countries may wish to ease their own burden. In these circumstances it is a futile burden because we do not wish to attack them. Then the world may witness the first true great power disarmament in modern history.

But first we must arrest the trend toward declining military strength in the west. We must change what *The Economist* calls the “désarmement de l’esprit” into a “réarmement de l’esprit”, literally translated, we must change a disarmament of the spirit into a rearmament of the spirit. All of us concerned with our collective security must have the will and the foresight to protect what we have, by not asking for too much. In other words, we must devote a sufficient amount of our resources — of our brains, of our men, and of our wealth — to provide the military capacity which we need to deter aggression. After all, the liberty and freedom which we enjoy today have been dearly paid for in lives, unhappiness and money. Our way of life deserves to be protected for our children.

The appreciation of the audience was expressed by Major General Bruce J. Legge, C.St.J., E.D., C.D., Q.C., a Past President of The Empire Club of Canada.

DECEMBER 2, 1976

Our Constitution—Shaping Canada's Future

AN ADDRESS BY The Honourable James Richardson,
P.C., M.P.,
MEMBER OF PARLIAMENT FOR
WINNIPEG SOUTH

CHAIRMAN The President,
William M. Karn

MR. KARN:

Reverend Sir, distinguished guests, ladies and gentlemen: Canada has come a long way since March 29, one hundred and nine years ago, when there was passed "The Confederation Act 1867 — an Act for the union of Canada, Nova Scotia, and New Brunswick, and the government thereof, and for purposes connected therewith."

Under the provisions of this Act, which became effective July 1, 1867, Canada has enjoyed commendable expansion, now reaching from the Atlantic to the Pacific, and we have prospered.

For years we have been admired and envied by many less affluent nations, and we still are — but today those same people are questioning our internal behaviour. Since our meeting last week, I have visited in Texas, Mexico City, New Orleans, St. Louis and Chicago, and have been surprised to note the keen interest in our domestic political problems, and the concern expressed for the first time by everyone I visited, as well as by some fellow travellers.

Perhaps one explanation may be the fact that controversy attracts attention, as was illustrated by a Mexican newspaper *El Universal*, which proudly states in bold print on each of its several sections "El Periodico de Controversia".

Some may think that The Empire Club of Canada is exhibiting a similar characteristic, but this is not our policy. We merely seek to be informed. Although Senator Eugene Forsey will be speaking to us on April 14th next on certain aspects of the B.N.A. Act and its possible patriation, we are pleased to give our guest of honour today equal opportunity to acquaint us with his views on this subject as a parliamentary representative from the west, that region which represents almost one third of our population and of our country's area. And no region is playing a more important role in the expansion of our national economy than Canada's four western provinces.

It has been said that there are those who *write* history, those who *read* history and those who *make* history. Our speaker today may well qualify for that third category. After his early training in Winnipeg schools, he graduated from Queen's University in Kingston in 1943, majoring in Political Science and Economics.

He served his country during World War II as an Air Force pilot, logging over a thousand hours with 10 BR Squadron, flying the North Atlantic on anti-submarine patrol.

In business he established a commendable record, entering the family firm of James Richardson & Sons, Limited in 1945, where, after serving in Montreal, Toronto and Winnipeg he rose to the position of Chairman and Chief Executive Officer.

During this period he also served on the boards of directors of several companies — the Canadian Bank of Commerce (later the Canadian Imperial Bank of Commerce), the Hudson's Bay Company, International Nickel, and Canadian Pacific Railway, to name a few.

Mr. Richardson obviously believes that travel broadens one's understanding, and in his youth visited extensively in Europe, the Middle East, India, South-East Asia, and

China. In 1964 he accompanied a Canadian trade mission to the U.S.S.R.

To education and community projects he also applied his talents generously, serving on the Board of Trustees of Queen's University, and the boards of many community organizations.

In June 1968, the federal constituency of Winnipeg South elected him their Member of Parliament, and one month later he was sworn in to the Privy Council. During the succeeding eight years in Ottawa, he has made a significant contribution to Canada, serving firstly as Minister without Portfolio with special responsibilities in the Department of Transport, then as Minister of Supply and Services, and lastly as Minister of National Defence.

Having strong convictions about Canada's future as one nation and differences of opinion regarding certain proposed changes in the Constitution, he resigned from cabinet seven weeks ago. The Honourable James Richardson has included Toronto in his cross-country tour, and I am pleased to invite him to speak to us now on his subject: "Our Constitution — Shaping Canada's Future".

THE HON. JAMES RICHARDSON:

Mr. Chairman, Your Worship, ladies and gentlemen: I welcome this opportunity to speak to the Empire Club and I first of all want to thank your President, Mr. Karn, for his generous introduction.

When I resigned from the Federal Cabinet, in my letter to the Prime Minister, I said that I wanted to be able to speak openly and frankly with the Canadian people about the constitution and the way in which it can keep us as one nation, and not divide us into two nations.

During the past month I have travelled from Victoria, B.C. to St. John's, Newfoundland to talk about the constitution and the way in which it can shape the future of Canada. And I welcome this opportunity today to tell you something of what I have been saying. But before I do so, I'd like to make two introductory comments. Although I have spoken frankly, and I intend to speak frankly again today, I have tried in all that I have said to be a voice of tolerance and of understanding, and I believe that I have succeeded in taking a moderate position. I am particularly pleased that the response I have received in letters and in telegrams has not been from extremists but rather from sensible and sincere Canadians in all parts of Canada. I would like to say further that the result of the recent election in Quebec has increased the importance of what I have been saying about the constitution, and for that reason I am particularly grateful for your invitation to speak to the Empire Club in Toronto today.

In my travels across the country I have talked to Canadians about the importance of the constitution. The constitution is the Great Law. The constitution is the fundamental law. It is the constitution that says what governments may do — what the federal government may do, what the provincial governments may do. It is the constitution that sets out the system of law and government for our country.

I have been, secondly, clarifying the difference between the constitution, the Great Law, and the other laws of the land. I want to speak about this briefly now because I will keep referring to it in what I say later. The difference between the constitution and the laws of the land is that the laws of the land, the laws that we pass every week or every month in Parliament, are amendable by Parliament. The same parliamentarians, or their successors, who make a law today, what is called statutory law, can change the law. But once we put something into the constitution, it is beyond the reach of Parliament. Parliament cannot change the constitution. The constitution can only be changed by an amending procedure. And that is why there is such great discussion about how we amend, how we change our constitution. And it is particularly with the great rigidity, the inflexibility, of our proposed amending procedure that I am concerned.

I have been talking as well to Canadians about the patriation of our constitution, and I believe wholeheartedly that we should bring the Canadian constitution to Canada. But what we must ask ourselves is what we are going to add to the constitution and how we are going to amend the constitution at the time of patriation.

If we were just going to bring the British North America Act back to Canada, without changing a word or a comma, none of us would have any problems. The B.N.A. Act has served us well as a nation for 110 years. But the Prime Minister wants to *change* the constitution and the Prime Minister wants an amending formula attached and agreed to at the time of patriation. Patriation itself is just symbolic. What I want everyone to think about are two vital questions. First, how are we going to amend and change the Great Law? And second, what are we going to add to the Great Law, to the fundamental law, to the law that determines the kind of country we are, when we bring it back to Canada?

I suggest that the answer we give to those questions will determine the future of Canada for many years to come, if not for all time. So let us look at those questions.

First of all, how do we amend? At the time of the Victoria Conference in 1971, the federal government proposed an amending procedure. I was opposed to it at the time and I still am. I thought that when the Victoria Conference failed, we would give up the proposed amending procedure, which unfortunately is now called the "Victoria amending procedure". It was a federal government amending procedure. And that procedure says that you cannot change the constitution except with the approval of Parliament, with which we would all agree, and by a majority of provinces that includes (and these are the operative words) every province that *had* (past tense!) at any time prior to any proclamation to change, 25% of the population of Canada. That clause in the amending procedure simply means a perpetual veto for the province of Ontario and a perpetual veto for the province of Quebec. It might just as well have been written that way because that is exactly its purpose and its intent and its result.

Look around the world. Look at any federal state. You cannot find a federal state that gives to one of its constituent parts, a province, a canton, or a state, the same right to approve or to disapprove changes in the constitution of the whole nation as belongs to the nation itself. The part is *not* equal to the whole. A single province veto, such as was proposed and is still being proposed, is doubly wrong. It will not only prevent anything that is in the constitution from being taken out in future years without the approval of the single province, but it can prevent anything from being put into the constitution. A veto works both ways. We have to ask ourselves, as Canadians, do we really want to put ourselves in the position where nine provinces of Canada and the vast majority of Canadians would want to make some addition to the constitution and could only do so with the approval of a single province? I do not think that is an acceptable amending procedure. I do not think it is democratic, or workable. I think it will prevent Canada from growing and changing and adjusting and becoming the great nation that Canada is destined to become.

We have talked about what I disagree with in the amending procedure. What do we want? What is right? Clearly, it must be a national amending procedure. And I can name at least three possible national amending procedures.

To start with, the first, the simplest procedure is what we do now. It is simply the approval of Parliament, that is the House of Commons and the Senate, in consultation with the provinces. That is how we have amended the B.N.A. Act for years. We could go on doing that, as far as I'm concerned, but the provinces want more say. To achieve that, we could have an amending procedure something like that of the United States where it takes a majority of states and a majority of people. We could have a procedure that says Parliament with an agreement of six or seven of the provinces, containing 60 or 70% of the population of Canada can amend the constitution. Or if we want to, we could go to another procedure used in Australia and in Switzerland, where a national referendum is used to change the constitution in major ways.

I don't mind which of these national amending procedures are used because they all would reflect the will of the Canadian people, and they all give us enough flexibility to change and to grow into the future. I object to an amending formula that gives a single province the right to say "yes" or "no" that is equal to the right of the nation itself.

The other important thing is what we add to the constitution at the time of patriation. I will only mention three subjects, all of which have been proposed in the Prime Minister's letter to the premiers, all of which are in the public record. These are language rights, the composition of the Supreme Court, and the amending procedure itself.

Let us start with language rights. I have tried to make it as clear as I possibly can in all that I have said that I am not opposed to language rights. We have language rights now, in the British North America Act, under Section 133, and they are clear. They should remain. We also have language rights in federal legislation in the Official Languages Act, and in provincial legislation in Bill 22. All I say is, let us keep the subject of language rights, which still has not been worked out perfectly in our bilingual program, at the level of statutory law where it is amendable, and not at the level of constitutional law where it is not amendable except under an amending formula that contains a single province veto. If we need proof, simply look at the recent provincial situation in Quebec where their official language act was the subject of debate. The premier of the day, Mr. Bourassa, talked about amending it. Another party, the Union Nationale, said "If we're elected, we'll scrap it!" It provides for flexibility and change.

Let us leave language rights at that level until we have developed further and are more certain of what the Canadian people really want, what they find comfortable and acceptable and workable. It's only common sense to leave language rights to Parliament and not to lock them into the constitution under a single province veto.

I mentioned the Supreme Court. Here again, I don't believe that we have to move from statutory law to constitutional law. We have a Supreme Court of nine judges. That is in the Supreme Court Act. But it is proposed by the Prime Minister in his letter to the premiers, the draft proclamation, that we entrench the composition of the Supreme Court in the constitution, and that we say (as the Act says) that of the nine judges *at least three* should be from the province of Quebec.

We know, from our history as Canadians, that if Quebec has three judges on the Supreme Court then the province of Ontario, by precedent and practice, will expect *at least* three. The mathematics are really quite simple. This means that you will have two, or at the very most three judges for the other eight provinces combined.

Some may argue that in today's Canada, that is fair. But what about twenty years from now? Or fifty years from now? At the rate at which British Columbia and Alberta are growing, maybe westerners would come along in a few years and say that it is obvious that we should have three judges. The answer would be to change the constitution. How can you do it? Ontario has a veto. Quebec has a veto. I don't think that anybody can give me a satisfactory answer to that proposition. It is unacceptable. It is unnecessary. The Supreme Court is working perfectly well. We do not need, at this stage in Canada's history, to entrench and to lock in the composition of a Supreme Court in that way.

The third item that is proposed to go into the constitution when it is patriated is the amending formula, that rigid formula that gives the veto, not only to Ontario and Quebec but also to two provinces in the Atlantic region, and two in the west that contain 50% of the population of Canada — a real hive of vetos, an impossible, unworkable amending procedure. And it is proposed that that amending procedure itself become part of the constitution of Canada.

What does that mean? It means that the amending procedure can only be amended by the amending procedure. It means that the veto will always protect the veto, that you could never change this rigid procedure again, that you could never take the Ontario or the Quebec veto away without the approval of each one separately. That is not democratic. It is not right.

In summary, there are two vital questions. How do we amend the constitution? How do we add to the constitution? The only thing that is more important than either of those two is the relationship between them. If we were not going to have a rigid amending formula, it would not matter so much what we put into the constitution. But it is the combination of what we are adding plus the rigidity of changing it, in the areas that I have discussed and others that could be mentioned, that should be of very real concern.

Since the provincial election in Quebec on the 15th of November, it has become more than ever necessary to achieve in all regions of Canada a wider and better understanding of the constitution and how it can shape Canada's future. I share the conviction of most Canadians that Quebec will never leave Canada, not only because of the legal difficulties and the disastrous economic consequences of separation, but primarily because I do not believe that a majority of Quebecers will ever vote to separate from Canada. It is therefore important that the debate on the constitution continue, and that we achieve a national consensus on a constitution that will keep Canada a united nation forever.

When speaking of unity, I believe most Canadians and certainly most men and women in public life are committed to the concept of national unity. But whenever we use the words "national unity" we must be careful to define exactly what we mean. There are two kinds of unity. There is negotiated unity and there is true unity. Negotiated unity, which could be called the unity of concession, is an imperfect form of national unity which results in the kind of unity that is achieved by the sovereign nations who meet in New York and who call themselves the United Nations. Their unity is imperfect because they surrender very little of their sovereignty to the common cause. I don't want Canada to be a "united nation" in that sense. I want Canada to achieve true unity, which is unity of the heart. True unity is in essence a community of sentiment, a community of feeling about Canada. It is based upon shared convictions about our destiny, and upon shared objectives and shared purposes. True unity is based upon the good will of all Canadians for each other. Above all, it is based on a genuine desire to see each part of Canada helping to build all of Canada.

In my mind, the great paradox of our time is that a federal government that claims to be fighting separatism has itself been contributing to the growth of separatism. Instead of talking about all that united us as Canadians, the federal government has persisted in talking about what divides us, talking about two founding peoples, two official languages, two realities, the virtues of diversity, the duality of the Canadian personality. Without saying so, or perhaps without even realizing it, the federal government has in fact been encouraging the concept of two nations, and has in this way contributed to the result of the election in Quebec.

There is still time to change all of this. As Canadians, we must emphasize the reality of our unity. We must also talk about the symbols of our unity.

We are united as a people in many ways, first of all, by the land itself. As the inhabitants of a northern land of great wealth and beauty, we all know that together we have a limitless destiny. But we are united not just by our geography, but also by our history. We are united as well by one head of state, by one parliament, by one flag.

With so much to unite us, we should be more gentle with each other as a people about our differences of language.

As we look to the future, let us stop talking so much about the duality of Canada's personality. Let us stop talking so much about the two realities and the two nations, and start talking more about the one reality, the one nation, Canada. There is only one reality, and that is the reality of Canada itself. The Canada that I believe in has a limitless destiny, and in my Canada there is an open-hearted and welcome place for Quebec as a great province of Canada.

If we are to be one nation, we must not lock our differences and our duality for all time into our fundamental law. Let us not prejudge and predetermine the future of Canada by placing Canada's constitution, the Great Law, under a single province veto. Before Quebec, or Ontario, or any single province is given a perpetual veto over the future development of Canada, there should be much more public discussion to enable the people of Canada to express their convictions on this vital subject. There has not been nearly enough debate on the far-reaching consequences that surround the patriation of the Canadian constitution. In a democracy, great public issues must be discussed publicly.

This thought was expressed very eloquently in a letter that I received just a few days ago from Lillooet, B.C. ". . . the people do not understand whether the return of the British North America Act is wise or unwise but we do know that anything to be added to it or deleted from it deserves the closest scrutiny and should eventually be subject to national referendum, not because the people are so smart, they are not, but because we *are* the people and this is *our* country and we have a right to be heard on any issue that affects the future of our nation."

I have welcomed this opportunity to speak to this meeting on a subject which I know you agree is of far-reaching importance to the future of Canada. Some people have suggested that my resignation from the cabinet on this issue was premature. Others, who may be more perceptive, have suggested that my resignation may be too late. It is well known that the premiers have been meeting in response to the Prime Minister's correspondence, and that the conference of premiers with the Prime Minister on patriation of the constitution is scheduled for the middle of this month. That vital meeting will now be attended by the new premier of Quebec, Mr. Lévesque. To speak out now can hardly be considered premature, and it should never be too late to ask for a nation-wide public discussion leading to a truly Canadian decision and a Canada-wide consensus on our constitution before irrevocable decisions are made.

I call for this public scrutiny and public appraisal of what is going on, because in the words of the message from Lillooet, "we *are* the people and this is *our* country."

Judging from the response that I have received from all who believe in Canada's future as one nation, I am confident that it is not too late. It is never too late to work with all Canadians to build the Canada of our dreams. It is never too late to save and to serve Canada's limitless destiny as one nation.

The appreciation of the audience was expressed by Major Charles C. Hoffman, a Director of The Empire Club of Canada.

DECEMBER 9, 1976

Canada's Political and Economic Problems as Seen by Premier Frank Moores of Newfoundland

AN ADDRESS BY The Honourable Frank D. Moores,
M.H.A., LL.D.,
PREMIER OF NEWFOUNDLAND

CHAIRMAN The President,
William M. Karn

MR. KARN:

Mr. Premier, Mr. Minister, Reverend Sir, distinguished guests, ladies and gentlemen: Newfoundland, the oldest British overseas possession (Newfoundland and Labrador as of 1927), which became a Crown Colony in 1933 and a province of Canada on April 1, 1949, has long enjoyed the admiration of The Empire Club of Canada.

During our founding year of 1903-04, which was about 900 years after Leif the Lucky is reported to have established his Viking Colony at L'Anse aux Meadows on the northeast tip of the island, Mr. J. M. Clark spoke to us on the subject "The French Shore Question and Newfoundland".

Three years later, Mr. A. B. Morine addressed our club on the topic "The Newfoundland Fisheries Question".

Those of you who are students of history and economics know that the discovery on June 24, 1497 of what is called Cape Bonavista by John Cabot, for which King Henry VII awarded him a gift of £10 sterling on his return to England, was the launching of the western Atlantic fishing industry, which to this day attracts fleets from the entire world to the waters off the coast of Newfoundland. This has inevitably involved the governments of Britain and France initially, then the United States and latterly Canada in international negotiations over territorial rights relating to this industry.

Subsequent development of mineral, forest, and water power resources has aided the economic progress of Newfoundland and Labrador, but fishing is still the source of livelihood for more of its citizens than any other activity, and our guest of honour today understands these people and knows their problems, their hopes, their aspirations.

After graduation from the United Church academy in Carbonear, and St. Andrew's College in Aurora, he returned to Harbour Grace to join the family business. Under his guidance shore facilities were enlarged, more trawlers were added to the fleet, and turnover was tripled prior to sale of the company in 1965.

To his local community, his province, and to the Atlantic region in general he has made a commendable contribution, serving as a director or president of other corporations, trade associations, economic councils, commissions, and service clubs.

He is also a well known sports enthusiast, promoting athletic activities not only in Harbour Grace but throughout the province.

In 1968, Frank Moores made his first foray into politics, being elected to the House of Commons in Ottawa as the P.C. member for Bonavista-Trinity-Conception, by a majority of 6,000 votes over his Liberal opponent, a seat that had been Liberal since 1949.

Within the year the Progressive Conservative Party of Canada chose him their president and fourteen months later the P.C. party in Newfoundland and Labrador elected him their leader.

His successful campaign in leading his party to their first provincial victory on October 28, 1971 was such a shock that he had to repeat it five months later, claiming 33 of the 42 seats. Again in 1975, supported by his own district of Humber West, he led his party to their third victory.

On October 24, 1975 in Corner Brook, the regional college of Memorial University awarded him an Honorary Doctor of Laws degree.

Ladies and gentlemen, I am most pleased to welcome on your behalf the Honourable Frank Duff Moores, M.H.A., LL.D., and to invite him to speak to you on the subject "Canada's Political and Economic Problems as Seen by Premier Frank Moores of Newfoundland".

MR. MOORES:

Mr. Chairman, ladies and gentlemen: When I was first asked to speak to the Empire Club, I quite naturally planned to talk about Newfoundland and Labrador and its future. Since that time, however, the Quebec election has come and gone, and dramatically affected not only Newfoundland, but our country as a whole. I think it is only proper that, as one of Canada's premiers, I give my views as to exactly what effect that election may or may not have on our country.

To date, we have heard many opinions expressed regarding the recent Quebec election. Some of these opinions are based on short-term facts: others are based on wishful thinking. Others still are based on insular emotion. A few people are trying to place the reality of the situation in its proper perspective.

People are wondering what it means to Canada: what it means to Quebec: and for that matter, what it will mean to our economic prospects, our financial credit, our image abroad, our social programs and so on.

It would appear that all the queries that the recent Quebec election poses have to be interpreted and answered in as favourable a light as possible. As Canadians, we have been cushioned so long from unpleasantness that facing up to reality, if it is unfavourable, has to be avoided.

After all, who wants to accept the fact that the future of our nation, as we have known it, is now uncertain? Who wants to accept the fact that we are going to have a period of extreme uncertainty for some time into the future, and that investor confidence in our country has, and will, decline as long as this uncertainty is there? Who wants to believe that governments will be preoccupied with this problem at the expense of economic and social programs that are critical at this time in our country?

We had better accept these facts and start to deal with the situation — and pretty quickly. The situation is serious. In my opinion, it is the most serious turn of events that has faced our nation in peacetime. Political platitudes are worse than the ostrich approach of putting one's head in the sand, and unfortunately, I suggest the very high likelihood of politicians doing both at the same time.

Let us look at what actually happened in Quebec, and why. First of all, the Parti Québécois won an overwhelming number of seats in the Quebec National Assembly. Most observers will state, quite correctly, that a substantial proportion of the P.Q. support came from people who viewed the previous Liberal government as arrogant and incompetent, amongst other things, and therefore voted to throw that government out of office. Most of these same people will then say the voters were really federalists and the P.Q. was the only alternative to the Liberal government. But how dedicated, really, are these voters to federalism? I would suggest not nearly as much as we would like to think.

As Professor W. S. Livingston has stated: "Federalism is a function not of constitutions, but of societies."

Thus, I would suggest that a truly dedicated federalist would find it extremely difficult to vote for a separatist party. There were, after all, other alternatives. The Union Nationale, the Créditistes, the Democratic Alliance and the Independents — all dedicated to federalism, and 25% of the voters supported them. So, I say, the 41% of the voters who voted for the Parti Québécois are capable, in time, of voting for separatism.

I say this for another reason. Regionalism in our country today is not just unique to Quebec. While regionalism, spelled out in the terms of separatism, is more identifiable with Quebec today, regionalism as such exists across this nation and challenges the essence of our federation. The mood has been growing for many years, spearheaded by the provinces with a certain degree of success, largely because of the federal government's approach in preferring confrontation to co-operation with the regions of Canada. It is based on the arrogant federal attitude that consultation is not necessary, but rather that decisions made in Ottawa are for the good of everybody, whether they like it or not.

Our national government has been very bad at understanding that different regions have different problems, and as a result, it has been guilty of formulating umbrella policies that apply to everyone, irrespective of region. For example, there are agricultural programs, based on the needs of the prairie farmer, which have no relevance whatsoever to the farmer in Prince Edward Island. There are fisheries policies, supposed to suit the Atlantic and Pacific coasts at the same time, even though conditions, markets and even the species of fish, are different. There are energy policies, based primarily on oil and gas, secondly on nuclear reactors, and thirdly, on hydro-electricity, even though hydro-electricity is cheaper, more stable and, much more importantly, a renewable resource. Unfortunately, hydro resources are located, in the main, in northern Quebec and Labrador, and they can be neglected because political pressure groups are scarce, to say the least, from these areas.

These are but a few of the insensitive policies that have been dictated by our federal government. The obvious result has been confrontation with provincial governments, who then formulate policies in isolation from what may be in the national, or for that matter, even the regional interest.

Such policies are more often than not insular, and because of that, they are often ineffective. All this, and of course, much more, has led to a very strained Confederation.

What do we have in our country today? I suggest we have regionalism — and a dangerous type of regionalism at that. Let us look at our nation and its regions, beginning with British Columbia. The fact is that British Columbia may not have preached separatism, like Quebec, for they have taken the more convenient route of actually practicing it. The reason given is the natural physical barrier of the Rockies, and also the natural north-south trading pattern. This, to a large degree, is true. But it would seem to an observer that a great many people in British Columbia have a western patriotism that is equal, if not greater, than their commitment to Canadianism.

The second area is the prairie provinces, who have always viewed the east, and Ontario in particular, as the hoarders of Canadian wealth. With their vast region, a small population, and a low income over the years, they could do little as far as their own destiny was concerned. After all, serfs are never troublesome until after the revolution. The revolution, at least economically, is now taking place. The west can now look through the same coloured glasses at Ontario as the OPEC nations do at the industrialized world. And they like it — not just for economic reasons — but, I would suggest, it gives them the independence that they have desired so long to say to the east, particularly to Ontario and Quebec, "If you don't like it, you can lump it, and we don't particularly care which option you choose."

In this regard, Professor Donald Smily of the University of Toronto, in his book *Canada in Question*, has stated the case very simply: "The Pearson-Trudeau Liberals have governed Canada without providing an effective outlet in the party for attitudes and interests which are specifically western." The same could be said of all regions outside the centre of Canada.

The third region is Ontario. Ontario has always been looked upon as a distinct region of Canada, at least by everyone else, primarily because of wealth, and also because of the attitude that wealth spawns. Jealousy has been a large part of the problem. For many years, the province did little to dispel its national image. Profound announcements are conveniently made from the comfortable pew and most Canadians, rightly or wrongly, look upon Ontario as having always occupied a very, very comfortable pew — if not a "feathered nest".

The fourth region is Quebec. Quebec, as a distinct region, is accepted as such by all Canadians living in or out of that province. The recent election spells this out in spades. I will return to this situation in a moment.

The fifth region, of course, is the Atlantic Provinces, which today is the only region in Canada which hasn't the affluence to do much else but be indignant. However, I would suggest that the people of the Atlantic are the most closely-knit and proud of any Canadians. Austerity down through the ages has made us this way. But times in the Atlantic region are changing. This gives me an opportunity to talk about my province of Newfoundland and Labrador for a moment.

The face of my province is changing, both economically and socially. Today, Newfoundland stands as an emerging province with probably the brightest future of any province in Canada. I am sure it is difficult for you to appreciate this, not knowing, I suppose, a great deal about the potential of Newfoundland.

At a time when Canada is running out of domestic supplies of oil and new energy resources are needed, the energy equivalent of Labrador in undeveloped hydro is the equivalent of 300,000 to 400,000 barrels of oil a day — forever. This is the equivalent in electricity of undeveloped hydro power in Labrador. Let us not forget that this is a renewable resource, not one that is depleting.

Secondly, Newfoundland and Labrador stands today on the threshold of major commercial discoveries of offshore oil and gas. Most people are not even aware of this development, but the fact is that since 1966, some $250 million have been invested in increasing exploration. This started with just $3 million in 1970. Over $60 million is being spent this year, and substantially more is being planned for next year. Exploration to date has resulted in three significant gas discoveries which are potentially commercial. These three discoveries resulted from a total of nine structures drilled on the Labrador Shelf, a truly remarkable success ratio for rank wildcat drilling. Experts predict that the chance of identifying a commercial discovery within the next four years is better than 70%.

We are naturally excited and optimistic over discoveries of natural gas and oil off our coast. It is estimated that the net revenue associated with the average economic recoverable resource potential would be in the order of 70 billion dollars. This net revenue is defined as the funds remaining after all development costs and company profits have been subtracted from the total funds generated by the resource.

In addition, there is the recently declared 200-mile limit and the effect that it will have on our fisheries. What a lot of people don't realize is that last year some 2,000,000 tons of fish were caught in what are now Canadian waters, and of that amount only 450,000 tons were caught and processed by Canadians in Canada. However, with the management of the 200-mile limit, the amount of fish available will increase, and with joint ventures with Europeans, the processing can be done on-shore in Canada. As well, the boats can be crewed by Canadians and this, in its initial stages, is expected to create some 6,000 additional jobs. Once again, we are talking about a renewable resource — in this instance, a renewable resource based on protein food. It is now forecast that the potential fish landings in eastern Canada, in the near future, is some three billion pounds with a value of one billion dollars annually.

Also, we have huge tracts of land, both in the island part of our province and in the mainland part of Labrador, that are still unexplored as far as mineral properties are concerned.

What all this means is that my province, in the foreseeable future, can be by far the richest province per capita in our country. After all, we have only 500,000 people and all this potential wealth.

I hope I have enlightened you a little concerning Newfoundland and Labrador, and I could go on. However, I feel it is incumbent upon me to resume my talk in the national context, at this critical juncture in our history.

The fact is that we have, as I have mentioned, five distinct regions in Canada, all with varying degrees of individual patriotism. It is provincial patriotism, and it has been on the increase since the end of World War II, when the provinces began to assert themselves as partners in Confederation and not "pawns" of the federal government.

The pressures for more provincial autonomy led to our present form of federalism, termed "co-operative" or "executive" federalism. It is characterized by close interaction between the two levels of government, and to support it, various institutions have evolved to encourage closer co-operation, such as the federal/provincial conferences. Unfortunately, while grand in theory, the system has failed somewhat in practice. We may meet regularly, but mutual decisions are not being made because the federal government has usually decided what shall be before we gather around the conference table!

Again, this is the confrontation approach which I mentioned earlier, leading to the provincial attitude of retreating into the respective provinces and doing what one can in relative isolation — as far as this is financially possible.

What else can we do? The federal government will not adopt a federalist approach to problem solving. The Prime Minister calls himself a "federalist". He is a distinguished academic who knows what the term means in all its variations, and I won't dispute that. However, his attitude in dealing with the provinces is not geared to making Canadian federalism work for all regions of Canada.

His attitude is rather that one region, Quebec, is the pivotal region around which all others revolve, and problem solving is based on a satisfied Quebec. To this end, he has done everything possible to entrench the French language across the country and to make Canada a bilingual nation. It has stirred increasingly hostile reactions since 1968 — in all regions — not because of the principle, but because of how the PM has chosen to make that principle a primary part of the life of every Canadian. Why, even in Quebec itself, this approach has been rejected.

It is not a happy mood for any country to be in, and the situation has most surely been brought into focus by the Quebec election. What has happened in Quebec must be faced up to, not just in the context of Quebec separatism, but equally, in the context of our nation as a whole. Perhaps, for the very first time, if we are totally honest with ourselves, we will find a national spirit amongst us that will offset our many differences. For it is a bare fact, despite our protestations, that our country was not born out of revolution or the pursuit of ideals. In the words of Professor Edwin Black, "Confederation was born in pragmatism without the attendance of a readily definable philosophic rationale." Is it not time to truly decide our feelings about this land of ours?

Since the election, the Prime Minister, many of his ministers, provincial premiers and others have been saying at every opportunity that there is no need to panic. It is being said so often that most people will soon start to feel that there is reason to panic. I am not one of those who believes there is, at this moment, any reason to panic, but I am one of those who feels we need strong leadership and definitive decisions. The constitutional approach of our Prime Minister will not fill the bill, for again, his form of federalism is too narrow to suit the situation.

Let us look at the Parti Québécois for a moment. Mr.

Lévesque is a brilliant and extremely clever politician. He also has one overriding purpose, and that is the separation of Quebec from Canada. Whilst it was not the issue he used to get elected in the recent campaign, it is certainly the major priority of the Parti Québécois, and the new government of Quebec will work towards this end. To say otherwise would be to ignore the reason for their existence. Mr. Lévesque won't deny this, and why should he when it is the very basis for his party's existence?

I don't know if most people have any idea of the real power of government, especially when that power is dedicated to one purpose and one purpose primarily, in this case, a highly emotional purpose. Elections are won on emotions and not on facts or statistics. Given time, with a massive propaganda campaign based on pride and emotion, it's surprising the influence such propaganda can have on any individual. This is but one reason why a referendum cannot be postponed for three or four years.

There are other, more pressing reasons in the short term, some of which I have mentioned briefly previously, such as the overall effect on the economy; the uncertainty of the Canadian dollar; the uncertainty of the fiscal markets; the drying up of new investment in Quebec and the reluctance of foreign investment in other parts of Canada; the delay of federal-provincial programs; the matter of the Constitution itself. The list goes on and on. The obvious effect is that the major issues like inflation, unemployment and the development of our economy, generally, will not be dealt with at a time, when, if we are to survive and prosper as a producing nation, they must be dealt with.

I don't know how Mr. Lévesque can be persuaded to have his referendum and get it over with as quickly as possible. But I know every influence that can be brought to bear should be. I don't know, for instance, if the federal government can hold its own referendum in Quebec, but if it can, it should do so.

In the meantime, the federal government has to have everyday dealings with Quebec, and in my opinion, this is going to be extremely difficult. It is critical that Quebec be treated fairly, the same as any other province, but not differently. But will being treated fairly be seen in the same light by all parties? Probably not, but every effort must be made. What would be disastrous would be any suggestion of extremism. If, for instance, the federal government held to a tough line and tightened the purse-strings, the reaction in Quebec would probably be volatile. Even worse, if the federal government opened up the purse and showed favouritism to Quebec, two things would happen. Firstly, the voters in Quebec would, in large measure, credit the P.Q. for their good fortune, and secondly, there would be such a backlash in the rest of Canada that it would, in fact, give Mr. Lévesque just the emotional issue he needed to achieve his main objective of separatism.

So where does this lead us? After all, defining the problem is not difficult. Finding the solution to this particular problem is. What should we do? What are our options? As I have said, every influence should be used to allow the people of Quebec to vote on their destiny as soon as possible. Our country, and particularly Quebec, cannot stand the period of uncertainty that presently is being suggested.

But as I said earlier, we as Canadians also have to step back and take a hard look at ourselves. Where are we? What do we want to become? How can we get there? As I mentioned, we weren't a country formed out of any great desire to be together — now, we have to test if the pragmatism that created Canada in 1867 has become more than that in the last hundred or so years. Do we have the national spirit necessary, when all is said and done, to want to stay federated, or is the nation too far apart, even in practical terms?

In my opinion, there are two options. Number one is to give the regions more autonomy with a view to developing and strengthening each region separately; in fact, endeavouring to develop five separate states in what would be a very loosely-knit federation, to say the least. Or number two, to develop a stronger federal system based on the kind of society we have, in reality, in 1976. We have neither today, because both are in conflict.

I believe that the second option is the only one that will work if Canada, as we would want it, is to survive. It is not an easy road to take, either. For federalism is a difficult form of government to operate, and Canadians have taxed their federal system to the breaking point. As well, no system can survive unless it is wanted and supported, despite its inherent weaknesses. In our Canadian experience, our failure to agree on an amending procedure and thus patriate the Constitution is a glaring failure on our part. It tends to leave us without an obvious focal point which supercedes the political realm and entrenches rights and privileges for all who live in Canada. But any amending formula has to recognize all regions of the country, and this is something that federal governments cannot seem to understand.

Many other changes will have to occur as well. Constitutions don't make a nation. First and foremost, there must be changes of attitude. Provinces, for instance, will have to realize, whether they like it or not, and let's face it, most of us won't, that our country is more important than creating our own little empires. The federal government will have to realize the meaning of the word "arrogance" — that decisions cannot be made in the confines of Ottawa without the genuine consultation and understanding of those areas such decisions will affect. This will mean decentralization, *meaningful* decentralization — whereby applicable decisions are made in the various regions by the people who live in the areas. At present, decisions, or the lack of them, are being made by a bureaucratic system that boggles the mind of the most well-intentioned. It really amounts to developing a sensitivity to the particular needs of Canadians spread across our vast country.

The federal government will have to learn to recognize when programs are abysmal failures. Of course, leadership is all important in this regard. If the Prime Minister is promoting a program with all his power, it's hard to stop it, except at election time. One outstanding example of this is bilingualism, which is not working, not because the objective is wrong — it isn't — but rather because people cannot be forced into being good neighbours, or good linguists. One cannot expect, for instance, a western Canadian to accept the fact that in 1973 of the 7,600 appointments made to bilingual positions, 75% were filled by people whose working language was French. After all, equal opportunity has to mean equal opportunity for all Canadians.

The fact is that bilingualism is a desirable objective. It is the sort of program that our children should have the opportunity to avail themselves of, to enjoy learning a second language. But it can only be encouraged, not enforced on people of all ages to the point where a country is wracked by quarrels about it. This is wrong for all concerned.

What I'm saying here is not meant to sound anti-Quebec, but rather I am using these examples and voicing these thoughts because I am a worried Canadian. The Prime Minister forgets sometimes that he represents all Canadians, and neither the English- or French-speaking peoples of Canada are thrilled with his leadership — or his programs — after eight years of giving him every opportunity in the world to cement this country together.

We must have a change in attitude in our country or suffer the consequences, and the consequences are very severe indeed, both for us as a nation, for us as provinces, and for each of us as individuals.

There is a tremendous challenge in the years ahead. The next few years will make or break our country. However, I believe that people with a purpose can succeed and it will take the maximum effort of us all. You here today, as leaders and opinion-makers in your own right, are critical to the success of any effort that is made. It will take sacrifice of a type that you have not been used to for a long while, if ever. The fact is, you are going to have to make that sacrifice if you believe in your country, if you believe in your own future, and if you believe in a prosperous land for your children.

That is your challenge, as well as mine, and it is our challenge as Canadians. I believe we will accept it, given the leadership at all levels we need at this time in our history. For when all is said and done, there is only *one* Canadian question, and that is how the nearly 23 million people who live within our national boundaries can establish and sustain governmental institutions which are at once humane, effective and responsive. Thank you.

The appreciation of the audience was expressed by the Very Reverend Ernest M. Howse, S.T.M., Ph.D., D.D., Litt.D., Honorary Assistant Treasurer of The Empire Club of Canada.

DECEMBER 16, 1976

Christmas Luncheon

GUEST OF HONOUR The Honourable Pauline McGibbon, LIEUTENANT GOVERNOR OF ONTARIO

CHAIRMAN The President, William M. Karn

MR. KARN:

Your Honour, Reverend Sir, distinguished guests, ladies and gentlemen: On behalf of the Directors and members of The Empire Club of Canada and their guests — 900 in all — it is a great privilege to extend to Your Honour and Mr. McGibbon a very cordial and warm welcome to our annual Christmas party.

We welcome you, Dr. Pauline McGibbon, not only as the distinguished and charming representative of our Queen in the Province of Ontario, but also as the Honorary Vice-President of our club. You have been more than generous in gracing several of our meetings this year, and it is indeed an honour to present you as a member of the Empire Club family and to ask you to bring greetings on behalf of Her Majesty Queen Elizabeth II.

HER HONOUR, THE LIEUTENANT GOVERNOR:

Thank you for asking the representative in Ontario of Her Majesty Queen Elizabeth to again be with you at this Christmas luncheon.

In this capacity, at this joyous time of the year, I wish to bring you greetings and best wishes for the coming year. There is much that each one of us can do to make 1977 a better year than the one before.

My husband and I are grateful to the executive of The Empire Club of Canada that each year we are given this opportunity to meet friends and exchange greetings.

From both of us to all of you, Merry Christmas.

MR. KARN:

In appreciation of her gracious support and as an expression of our affection for her, I would ask Mr. Allan Leal to make a presentation of flowers to Her Honour, the Lieutenant Governor of Ontario. (*Presentation of bouquet of roses.*)

MR. KARN:

At this time, ladies and gentlemen, I want to remind our Immediate Past President, Mr. H. Allan Leal, Q.C., LL.M., LL.D., who is learned in the law and wise in the ways of administration, how much we appreciated his capable leadership during this past year.

His appearance at this lectern represented merely the tip of the iceberg in proportion to the total time and effort that he devoted to our affairs during his term of office.

Under his presidency, The Empire Club of Canada experienced one of its most successful years. Since the greatest of accolades are frequently couched in the fewest of words, may I present to H. Allan Leal, Q.C., LL.M., LL.D., on behalf of the Directors and members, an illuminated scroll bearing the signature of His Excellency, the Right Honourable Jules Léger, C.C., C.M.M., C.D., Governor General of Canada and Honorary President of our club, which states simply "The Empire Club of Canada acknowledges with grateful thanks the services of H. Allan Leal, Q.C., LL.M., LL.D., as President during the year 1975/76."

I now ask Mr. Peter Hermant, our First Vice-President, to present to Mrs. Leal a slight token of our appreciation for her constant support of Allan while he worked long hours on our behalf. (*Presentation of bouquet of roses to Mrs. Leal.*)

MR. LEAL:

Mr. Chairman, Your Honour, My Lord Chief Justice, distinguished head table guests, ladies and gentlemen: I know that my wife would wish me to express her thanks for the presentation. One of my more irreverent colleagues in this club last year remarked to me that she wrote an acceptable speech. I would simply add that any she did not write, she inspired, and so is entirely worthy on all counts.

As for myself, I thank you most sincerely for this handsome scroll. I accept it not so much as a memento of things done, but rather as a sobering admonition of things yet to be done.

When I was at The Hague in October last, attending an international conference, one of the senior delegates of a major European nation said to me that Canada must be a fine country because Canadians appear to be such a happy lot. There is surely much to be recouped if we are to be worthy of that reputation.

Mr. Chairman, with your indulgence, I would say that I think of ourselves as we could be a year from this day, with our prolixities docked; our ideologies adjusted; our bitterness purged; prejudices shorn away; doubts cast aside; hopes rekindled; humour enlivened; faith restored; and our honour unblemished, so that we may become, once again, a happy united people.

Because the statesmen who made us a nation are no longer with us, we must ourselves be the statesmen of these times and the future generations that lie ahead.

There is much that we can and must do, individually and collectively, both within this honourable club and outside it, in our thoughts and in our actions to maintain this beloved country. Surely I need not apologize nor feel embarrassed in The Empire Club of Canada at this juncture to say that, personally, I would welcome a national referendum because I have no doubts as to the outcome of it, and it would quite simply ask "Who among you is for Canada?"

Mr. Chairman, my wife joins with me in wishing all of you those things to which I have alluded, and more; and we extend to you all our fondest and best wishes for this Christmas season and throughout the coming year. Thank you very much.

MR. KARN:

We now come to another most pleasant moment in our program — the Christmas music to be provided by the Havergal College Choir under the direction of Elizabeth Muir, and accompanied by Anita Brown.

Each year many Havergal students audition for the school choir but only a few are chosen. In 1974, the choir toured Britain for a second time and this past spring had a most successful exchange with Dana College in Boston, singing also at Groton College. Although they have four engagements during these five days, they willingly agreed to honour The Empire Club of Canada.

At their request, would the audience please withhold your expression of appreciation until they have completed their program.

A program of Christmas music was presented by the Havergal College Choir.

MR. KARN:

Our deepest gratitude to you, Mrs. Muir, to Miss Brown and to every member of the choir. Truly a delightful presentation.

I would now like to thank all those whose contributions have made our meetings run so smoothly throughout the year. I ask your recognition in particular for Mr. Stanley St. John, our pianist, Pipe Major Ross Stewart, the staff of the Royal York Hotel, the staff of The Empire Club of

Canada, Mr. George Stafford and his committee, and the other 36 Directors and their secretaries. Thank you all very much.

In closing, may I wish you one and all a very Merry Christmas.

Please come back in the new year as we begin our next season on Thursday, January 6 in the Concert Hall with Mr. Rowland Frazee, Executive Vice-President and Chief General Manager of the Royal Bank of Canada, who will be speaking to us as President of the Canadian Bankers' Association.

Now as we think about the many blessings of Canada and our responsibilities and tasks on behalf of our country in the sensitive years ahead, would you kindly rise and join with the Havergal College Choir in singing one verse of our National Anthem, and then remain in your places until the Vice-Regal party has retired from the room.

The fifty girls of the Havergal College Choir, carrying their lighted candles, formed a Guard of Honour as the Vice-Regal party departed from the Canadian Room.

JANUARY 6, 1977

Banking in Canada— The Next Ten Years

AN ADDRESS BY Rowland C. Frazee, Esq.,
EXECUTIVE VICE-PRESIDENT AND CHIEF GENERAL MANAGER, THE ROYAL BANK OF CANADA, AND PRESIDENT, CANADIAN BANKERS' ASSOCIATION

CHAIRMAN The President,
William M. Karn

MR. KARN:

Reverend Sir, distinguished guests, ladies and gentlemen: For our first meeting in the New Year, your speakers' committee felt that an address on Canada's financial position — an appraisal of our economic strengths and weaknesses — would be quite timely.

Although I was hoping that our guest of honour might reveal pearls of wisdom regarding what 1977 held in store for us, I was mindful of ancient Chinese proverb which states, "Forecasting very difficult, particularly forecasting future." Notwithstanding this difficulty, our speaker is going to look ten years down the road so far as banking in Canada is concerned, under the latest decennial revision of our Bank Act.

One of the notable pillars of world banking as we know it today derives from the imagination and foresight of Sir Gilbert Heathcote who purchased from his fellow British citizens their bundles of notched wooden sticks at 30% of the original value of the loans to the Crown which they represented, and which the Crown had chosen not to repay. He consolidated them and obtained from King William III, in 1694, a royal charter to found the Bank of England with stated assets totalling 100% of the original loans. The Scots could not stand idly by and incorporated their own Bank of Scotland in 1695.

Almost two hundred years later in 1893, the Canadian Bankers' Association was formed, and incorporated by special act in 1900, one of its recorded purposes being "to arrange for lectures, discussions, competitive papers, and examinations on commercial law and banking."

Because of our close relationship with the United States and Britain, Canada has shown a great deal of ingenuity in selecting from the legislation of both countries. While the British system is the prototype of branch banking, the U.S.A. has a unit banking system.

This has given rise to ten chartered banks in Canada today, handling more than $114 billion of the country's assets. Largest among them is the Royal Bank of Canada, formed in 1869, now with assets of $26.6 billion and operating 1,540 branches. The Royal is one of the five Canadian banks out of a total of 43 created since Confederation, which have not failed, wound up or merged. Its success may be due in part to the fact that it was founded in Montreal. Although Bay Street is now flexing its banking muscle, one of which appears to be gold plated, Montreal at one period was described as the city of banks and churches. Its people were said to have spent much of their time laying up their riches in this world and the next.

Our guest of honour today is a second generation member of the Royal Bank of Canada family, having joined that bank in St. Stephen, N.B., in 1939 where his father was manager.

After four years of overseas service during World War II he took a Bachelor of Commerce degree from Dalhousie University and returned to the bank, this time in Fredericton.

He later moved to the Montreal area and by 1964 had been appointed Assistant General Manager at head office. The next eight years saw him progress through the offices of District General Manager in Winnipeg — General Manager, Canadian Districts in Montreal — Vice-President in Toronto — Vice-President and Chief General Manager in Montreal. Four months later, on February 28, 1973, he was appointed a Director and named Executive Vice-President and Chief General Manager.

In addition to the above, he is serving as President of the Canadian Bankers' Association.

It is a pleasure to give you Mr. Rowland C. Frazee to speak on the subject "Banking in Canada — The Next Ten Years".

MR. FRAZEE:

Mr. Chairman, ladies and gentlemen: It is with a great sense of honour that I appear before you as your first speaker of the New Year. I would add that this sense of honour is heightened by thoughts that must be in all our minds in this first week of 1977. For reasons that are amply clear the next twelve months may turn out to be one of the most crucial periods in our history. Fortunately for me my own assignment is limited to the decennial revision of the Bank Act, an important subject but not one that goes to the deepest roots of our society.

In addressing this subject I want to try to see it in the perspective of the next decade. Events now move so rapidly that the future is always upon us sooner than we expect, and it is important at least to try to see its main outlines. However, despite the attention the revision has received in the media I am sure that many of you will not be quite certain about what the issues are and where we stand today, and I will therefore take a few moments to give you some necessary background.

According to the terms of the British North America Act, banking is a matter of federal jurisdiction. Pursuant to this constitutional authority, the federal parliament, over a century ago, passed the Bank Act which since then has set out the duties and powers of the main commercial banks known in Canada as "chartered banks".

By custom established right from the outset, this statute has been completely revised every decade, subject to some delay in the event of war or political factors. The present Act expires on July 1, 1977, unless Parliament provides otherwise.

In anticipation of this event the former Minister of Finance, Hon. John Turner, announced that he would receive briefs from interested parties by the fall of 1975, and his successor, Hon. Donald Macdonald, carried forward this program. Briefs were submitted by most financial interests in September and October 1975. Following consideration of these briefs the Minister issued a White Paper on Banking in August of last year with a request for comments to be submitted by October 15th. Comments by several organizations were submitted and most have been made public. Almost concurrently the Economic Council of Canada issued a study covering much the same territory. This has provided further material for examination but has not required a public response.

The next step will be submission of a bill to Parliament to revise the Act, probably within the next two or three months. This will be followed by extensive hearings before separate parliamentary committees of the House and Senate and then debate in Parliament with final enactment, we hope, by next summer.

So much for the process. If it seems protracted and painstaking you are quite right — it is. There are very substantial demands on the banks, both directly and through our Association, over a period of at least two years, and for some of our people even longer. In the meantime we are having to cope with other legislation, some of it very complex, and, incidentally, keep the banking system running. Nonetheless we regard this as our top priority since our whole basis of operation for the next decade is at stake.

Let me turn now to the issues that have emerged, and here we begin to see more clearly the future implications of the revision.

One of the main problems we addressed in our brief is the narrowness of existing banking legislation. As I mentioned earlier, the Bank Act applies only to the chartered banks. In our view a great many other institutions are now in the banking business, and these do not come under the Bank Act. We have in mind trust companies, credit unions, caisses populaires and some other organizations that provide services very much like banks. These now account for nearly one-third of banking business in Canada as measured by their share of either assets or liabilities.

Most of these entities are provincially incorporated and come under provincial supervision, but this is not the same as being subject to the Bank Act. A chartered bank, for example, comes under the direct monetary influence of the central bank, and must keep non-interest bearing reserves with the Bank of Canada.

Obviously, in saying that others are in the banking business as well as ourselves we have a fairly clear idea of what we mean by this statement. Certainly it involves a good deal more than the making of loans. All kinds of businesses make loans — finance companies, insurance companies, mortgage companies, even department stores that have instalment payment plans. Nor does it involve simply holding the public's money. All sorts of organizations are also doing this — insurance companies, mutual funds, etc., which are not in the banking business.

Banking as we see it relates to a distinct function that is of unique and vital importance, namely the creation and the control of the money supply of the economy. Contrary to popular impression, the real money supply of the country, for all practical purposes, is the millions of dollars of deposits that are transferred daily by the simple process of writing a cheque. It follows that the organizations which hold such chequable and transferable deposits are carrying on one of the key functions of banking. The additional function of lending money rounds out this concept but is secondary to this fundamental test of cheques and transfers within the payments system.

Many units in the businesses I have named — trust companies, credit unions, caisses populaires and mortgage loan companies — are in this payment system because they allow their customers to use their deposits as money by writing cheques on them. We suggest, therefore, that they are carrying on the banking function and should be treated as banks for this particular side of their business.

But why do we feel that this is important?

One reason relates solely to the kinds of obligations and responsibilities that are required and expected of an organization carrying on the banking function not only in Canada but in most countries of the world. The principal obligation is to be a part of the mechanism that has been established by the state to control the money supply and to share in the broad social and economic responsibilities that arise from this position. The essential element in meeting this requirement is the maintenance of a regular and direct relationship with the central bank, the Bank of Canada, the practical vehicle for maintaining this relationship being the deposit with the Bank of Canada of a reserve similar to that now required of the chartered banks.

Not only is such a deposit — or alternatives which I will mention in a moment — essential for establishing the cash base of the banking system by which the Bank of Canada regulates the money supply, but it is also required for the settlement between financial institutions of outstanding balances between them arising from the daily clearings. Under the White Paper proposals, a balance for this purpose will be a regular part of the operation of the proposed Canadian Payments Association.

As a matter of historical development, probably arising from the fact that most of the so-called near-banks are provincially incorporated, the control mechanism of the central monetary authorities has not been extended to them. I do not wish to imply that they have not been subject to control and supervision by provincial authorities. On the contrary, for some purposes they have been subject to fairly strict control. I am only saying that for monetary purposes they have been outside the direct influence of the central bank. This would probably have continued to be a tolerable situation if the near-banks had not grown to be such a substantial element in the deposit holding and money-creating side of the financial system, now representing about one-third of total Canadian assets and liabilities.

The Governor of the Bank of Canada has made an often-quoted statement to the effect that up until now he does not feel that the influence of central bank policy has been restricted by lack of direct control over the near-banks. I believe he has agreed, however, that to control the money supply through the diminishing base of the chartered banks would be inequitable.

We believe it is entirely possible that the near-banks will continue to grow in the next decade at the pace of the last ten years, which, as I have indicated, has exceeded that of the banks. If they do, the leverage through which the Bank of Canada must exert its monetary influence will be further weakened. At some point in time it will be weakened to such an extent that central monetary policy either will become ineffective or else the pressure that will have to be exerted on the banks in order to influence the whole financial system will be quite inequitable. We do not know when this will happen but we see a danger of it happening in the future and the time to take action therefore is now, when results can be achieved with minimum cost to all concerned. You do not wait till your house is on fire before you buy insurance.

As events are developing this will be one of the most crucial — perhaps the most crucial — issue of the revision. Both the government's White Paper and the Economic Council's study in effect made the same proposal that I have explained — namely, that the near-banks maintain a reserve at the Bank of Canada. In both cases the rationale has been substantially the same as I have given, with varying degrees of emphasis on different aspects. With this degree of agreement on the proposal one might well ask why I have felt it necessary to devote so much time to it.

My main reason for doing so is that in briefs and statements issued since the White Paper appeared all the non-bank financial institutions and the provincial governments have spoken against it. Unfortunately, in many instances it has seemed to me that the reasons for opposition are based on false premises or misunderstandings. The non-banks, for example, allege that the banks are afraid of their competition and wish to impede their ability to grow. Nothing could be farther from the truth. Competition among financial institutions in Canada has produced one of the best financial systems in the world; all we argue for is that competition be on an equitable basis. Both non-banks and provincial governments argue that this is a clandestine attempt by the federal government to take over control of their provincially incorporated and supervised institutions. However, it has never been an accepted principle of law that regulation of a company's activities be limited to the jurisdiction under which it is incorporated. Provincial governments, for example, regulate the activities of federally incorporated trust and loan companies; and conversely, provincial institutions are never exempt from appropriate federal regulation. Besides, it has not been suggested that the day-to-day supervision of provincial financial institutions be transferred to the federal government or in any way reduced. In fact, it is even proposed that if provincial institutions do not wish to keep a deposit with the Bank of Canada directly they would be permitted to deal with another institution that does, provided this is reflected in the deposit which that institution holds at the Central Bank.

In the light of this brief discussion, it is essential to recognize one fundamental principle. In the case of institutions, including banks, for which the provision of payments facilities to customers is an integral part of their business, *the only relevant issue is whether the proposal imposes undue burdens or represents a fair and reasonable obligation in the public interest.* For those institutions for whom provision of payments facilities is less important, it becomes a matter of choice for them to offer these services or not, in the knowledge that membership in the system carries with it certain national obligations. Bearing this in mind, we can appreciate the peripheral nature of many opposing claims; and arguments and counter-arguments can be weighed accordingly.

Undoubtedly the other issue in the revision that requires attention, and that quite urgently, is the whole problem of foreign banks operating in Canada. We have been fairly free from direct intervention by foreign banks over the years, and the recent entry in some form or other of possibly one hundred or more such banks has created new problems, largely because we were unprepared for it. The Bank Act now provides against the full ownership of a Canadian bank by non-Canadians, but is completely silent on whether foreign banks can simply open an office in Canada or buy into existing non-bank entities or even set up new provincial companies to carry on lending and money market operations. As a result of this vacuum, combined with the growing attraction of Canada as a market for financial services such as leasing, foreign banks have appeared in great numbers and are now operating as competitors, free of any of the restraints that apply to the Canadian banks.

As an industry we have urged for at least the last two years that the federal government take action to regularize this situation. In the White Paper, proposals are made for this purpose. These have met with very mixed reception from foreign banks, and indeed have given rise to differences of opinion among the Canadian banks.

The essential feature of these proposals is that foreign banks will be offered the opportunity to establish fully-owned Canadian subsidiaries under the Bank Act. Such subsidiaries will have the full powers of a Canadian chartered bank, but growth will be restricted in various ways, particularly as to their capital, number of branches, and share of the total commercial lending market in Canada. The nature of their treatment will also depend on the way Canadian banks are treated in their own countries.

This whole issue is complicated by the fact that the foreign banks are already here, and that among themselves they have quite different interests and objectives for the Canadian market. Moreover, the Canadian banks, largely because of differences in size, and in the extent of their foreign business, react in different ways to the presence of foreign banks in Canada. I do not mean by this that there is disagreement about permitting the presence of foreign banks, but rather that there are wide divergences of view regarding the conditions that should govern their future operations and growth. The communications received by Ottawa relating to the foreign banking proposals have considerably outnumbered those received on any other part of the White Paper. It is obviously a very lively controversy, and a subject that poses a delicate dilemma for the federal authorities.

The foreign banks are here to stay — there can be no doubt about that. However, as with the non-banks, many of these institutions are provincially incorporated, and because they are foreign owned and in many instances are not carrying on a full banking business in Canada the issue of jurisdiction between governments is a contentious one. Furthermore the question of foreign ownership was thought to have been settled with the arrangements for the Mercantile Bank and it is natural that new proposals to permit foreign ownership should be influenced by existing policies. In order to accommodate this situation the government has developed restrictions on growth that no doubt are unpleasant to many foreign bankers and may in fact work against Canadian banks in countries that require reciprocal treatment equal to their own.

As to the rest of the revision, there remain a couple of problem areas. One of these is the extent to which we will be limited in developing services to our customers through computers. The White Paper proposes very severe restrictions on our ability to serve clients in this way, and we feel that this is unfair and potentially inefficient. For many business customers, the banker is in a far better position than an outside person, because of his intimate knowledge of their affairs, to provide those special financial services that are most suitable. As I have said, the banks may be unnaturally and severely restricted in this area, and we hope that further consideration of the interests of our customers will result in a more liberal interpretation of acceptable banking services.

The other problem area is in the proposed restrictions on our ability to hold shares in other corporations. Granted, there are dangers in allowing bank ownership of industry to go as far as it has, for example, in Japan and Germany. However, we still feel that the net is being drawn around us too tightly in the White Paper proposals. The general condition is that we will be restricted to ownership of 10% of shares, except for some subsidiary corporations that are for special purposes, such as housing. This contrasts with the present law, which under certain conditions allows us to own as much as 50% of the shares of a corporation. We feel that the present law is fair and has not been abused, and have urged reconsideration of this proposal. In particular the right to hold for a reasonable time as many as half the shares of a small corporation can be instrumental in establishing the company, and enabling access to the public market for capital.

There are a great many other subjects covered in the White Paper. For example, there is the collection of proposals that will make it easier to establish a bank or to convert an existing financial institution into a bank in order to increase the number of units in the industry. Also important are some minor additional powers that will be given the banks, such as leasing and factoring, which are notable mostly because the Canadian banks are almost the last in the world to be allowed to enter these fields. In some other areas, such as the handling of RRSPs, RHOSPs and similar plans, the banks will be able to act without the services of a trust company if they wish. In the security trading area one right has been removed and the balance of existing rights confirmed. These are welcome changes for the bankers, but I can assure you that we regard them with considerably less excitement than do our competitors who have tended to exaggerate their importance.

To conclude this rather abbreviated survey of a most important subject, I would like to leave you with the thought that the key to much of the future development of the financial system in Canada will lie in two trends.

One of these will be the trend toward an ever-broadening scope of activities for individual elements in the industry, with a consequent blurring of the sharp lines that have existed in the past. This is now apparent enough in Canada, where it is already difficult to distinguish the retail outlets and the services offered by non-banks from those of the chartered banks. The inevitability of this trend is suggested in the conclusions of a survey of banking systems of other countries of the world recently issued by the Economic Council of Canada.

The other trend will be an increasing standardization in the rules that apply to the same financial function. I do not imply by this that control and supervision of financial functions will become highly centralized — only that there will be an increasing tendency for supervisory authorities to adhere to the same standards in controlling all financial institutions. The most dramatic instance of this is the attempt of the EEC countries to "harmonize" their banking and other laws, but there are several examples of it already in Canada, particularly in the relative uniformity of provincial legislation governing some aspects of financial markets and institutions.

Given these very strong pressures in the industrialized world the proposed revisions of the Bank Act take on new and dynamic meaning. The further broadening of banking services, modest as it is, gives recognition to the strong drive toward universality of financial functions, at least among deposit receiving institutions. Other measures, such as the easing of transition to bank status for existing institutions and the lowering of reserve requirements for new banks, offer attractive incentives for becoming a chartered bank. This becomes particularly appealing for some of the provincially incorporated non-bank institutions which might consider that existing provincial restrictions are too binding. From this may develop further federal innovations, such as a federally incorporated savings bank, which we have heard is under consideration. What provincial response will be made to this type of development is difficult to forecast, but it is clear that in some areas the provinces are now expanding the limits of particular organizations under their jurisdiction. Under the current revisions of the Ontario Credit Unions Act, for example, there will be very little distinction between a credit union and a bank operating in Ontario.

Along with the process of regularising the status of ten, twenty-five or fifty foreign banks with substantial increase in their powers, there is ample evidence of increasing competition in the years ahead. This seems to be an inevitable consequence not only of the Bank Act revision but of strong pressures that arise from universal trends. I believe in competition as being in the public interest, as do my colleagues in the other banks, and look forward to the years ahead as offering great challenge to us all.

The appreciation of the audience was expressed by Mr. Robert L. Armstrong, a Past President of The Empire Club of Canada.

JANUARY 13, 1977

Keys to Canada's Future

AN ADDRESS BY John D. Allan, Esq.,
PRESIDENT, THE STEEL COMPANY OF CANADA, LIMITED

CHAIRMAN The President,
William M. Karn

MR. KARN:

Reverend Sir, distinguished guests, ladies and gentlemen: The steel industry of Canada has progressed a long way since 1736, when the first commercial metallurgical plant in North America began operating on the banks of the Saint Maurice River in Quebec at Les Forges, between Trois Rivières and Shawinigan. That company, called Les Forges de St. Maurice, reduced local bog iron ore with hardwood charcoal, producing an excellent grade of iron to serve the needs of early settlers, and local industry. It continued in business for 150 years.

Down in Nova Scotia, entrepreneurs established an iron industry in 1790 with the encouragement of the Assembly, and although it expanded greatly and diversified, adverse economic factors have been such that it survives today partially because of federal government assistance. During its development, it even included an organization by the name of the Steel Company of Canada from 1873 to 1913, which had no connection with the present corporation by that name.

Meanwhile in Montreal, hardnosed men of vision like John Bigelow in the 1790's, and his son Thomas, Randolph Hersey, Mansfield Holland and others were laying foundations which were later acquired by Montreal Rolling Mills Company under William McMaster. Financier Max Aitken then entered the scene and in 1910 completed the merger of one of Ontario's primary steel facilities with Montreal's rolling and fabricating plants, forming the Steel Company of Canada Limited.

The continuing application of sound technological, financial, and managerial expertise has raised this organization to a position of prominence not only in Canada but throughout the big league of world steel.

Today as in the 18th century, an adequate supply of steel is an essential requirement for the economic growth of our country. Although Stelco is producing about six million ingot tons per annum, 40% of Canada's total, the company is looking ahead and embarking upon a multi-billion dollar twenty to twenty-five year expansion project on a 6,600 acre site at Nanticoke, which will eventually double its steel capacity and probably triple the company's dollar volume of business in the early 2000's. The first phase, originally planned for completion in 1978 but now stretched out to 1980, will cost $1.2 billion. Guiding this massive undertaking, while simultaneously managing the existing business is our guest of honour today, Mr. John D. Allan.

Mr. Allan, a native of Vancouver, began his career with the Steel Company of Canada in that city in 1947 upon graduation from U.B.C. with a B.A.Sc. degree in Mechanical Engineering. After holding various management positions in the operating and marketing division, he became General Sales Manager, Rolling Mill Products, and then Vice-President, Eastern Region, Montreal, in 1965.

Each promotion was merely preparation for the next. He became Vice-President, Market Development, Hamilton in 1968; Vice-President Corporate Planning, Toronto in 1970; and Executive Vice-President in 1974. In April of 1976, Mr. Allan was elected President.

In addition, he is serving as a Director of the Royal Trust Company, and until recently was very active in the Canadian Cancer Society.

Ladies and gentlemen, it is a privilege to ask Mr. John D. Allan, President and Director of the Steel Company of Canada, Limited, to now speak to you on the subject "Keys to Canada's Future".

MR. ALLAN:

Mr. Chairman, ladies and gentlemen: It is a privilege to have this opportunity of addressing the Empire Club. I say this, not by way of a routine opening formality, but rather in recognition of the fact that I have been provided with one of the most prominent and respected public forums in Canada from which to communicate to you some thoughts which I trust will be of mutual interest and concern.

Our society is living in an environment quite different from that which has characterized the recent past. The euphoric, and perhaps somewhat brash, self-confidence that epitomized the Canada of the Sixties — exemplified by the philosophy of "the difficult we do immediately, the impossible takes a little longer" — has been replaced by the self-doubt and uncertainty of the Seventies. This attitude has manifested itself by a growing questioning of and a hostility toward many of the values and institutions that form the basic foundations of our nation and have contributed so much toward its development and progress.

This growth of self-doubt and uncertainty is disturbing, but scarcely surprising, given the fact that Canada, and indeed the world, is going through an era of change that is probably more profound and far-reaching than in any other period of modern history. Within our own society, for example, a generation that has never really known anything other than economic progress and rising living standards is now having to face economic recessions.

A generation long accustomed to unlimited and varied employment opportunities must now come to grips with the spectre of growing unemployment. A society conditioned toward abundant and apparently limitless supplies of energy upon which to base its economic and social development now face a shortage of this vital commodity. Coincident with all this has come what is perhaps the most sudden and massive redistribution of wealth between one segment of world society and another ever to take place in history, with all the stresses and strains this has brought in its wake.

Given all this turmoil and change, some in our society are tempted to look at our current institutions, decide that they are not performing as they should and seek to replace them with something as yet undefined. Before we engage in any such orgy of self-destruction, however, I think we would be well-advised to ponder most carefully the words penned by Kenneth Clark in his epic work *Civilization* and I quote:

> One doesn't have to be young to dislike institutions. But the dreary fact remains that, even in the darkest ages, it was institutions that made society work and, if civilization is to survive, society must somehow be made to work. I believe that order is better than chaos, creation better than destruction.

The relevance of these sentiments to our current situation is obvious. It might well be that certain of our basic institutions are not functioning as they should in today's fast-changing environment, but in view of their impressive record of past success, I think it is essential that we first ascertain why this is so before we undertake radical — and perhaps unneeded — surgery.

One institution that has come under particularly strong criticism and attack in recent years is our economic system, despite the fact that it has given Canadians a standard of living exceeded by very few other nations. While it is probably true that our economic system is not performing as well today as it has in the past, there are reasons for this which are not necessarily of the system's making and for which society as a whole must share some measure of responsibility.

To begin with, I think we are all beginning to realize that we are coming close to exhausting our economy by our quest for an ever-rising level of social amenities. More importantly, however, is the fact that we seem as a society to have lost sight of the crucial role played by competitiveness, innovation together with achievement, initiative together with incentive, sound management and communication, in the functioning of a healthy, vibrant and dynamic economy and in the consequent ability of our economic system to deliver that which we are demanding of it in the first place.

In my view, these elements are keys to Canada's future and our economic health will be directly related to the degree to which we succeed in reintegrating them into our system of economic values. I propose, therefore, to elaborate further on each of them.

Just as surely as any business enterprise will fail if it is not competitive, so will a nation's economy falter if it becomes uncompetitive. Anyone who has travelled abroad on business realizes only too well just how fierce competition has become in the international marketplace and this state of affairs will almost certainly continue into the foreseeable future. We in Canada are becoming increasingly exposed to this economic fact of life and, since almost 25% of our Gross National Product depends upon exports, two-thirds of which go to the United States, more and more Canadians will become increasingly involved with this concept of competitiveness. Individual efficiency and productivity will become of ever-increasing importance, just as the attitude of "that's not my problem — it's management's or it's government's" will assume less and less relevance.

Because of the fact that Canada is a trading nation with particular links to the economy of our neighbour to the south, what the Economic Council recently had to say with respect to our position in the world marketplace is of vital importance.

The Council observed that despite the relatively rapid rise in Canadian export prices for agricultural and resource-based materials, Canada's share of world exports of manufactured goods (excluding automotive products) has been declining more or less steadily since the mid-1960s and that much of the dynamism of Canada's export trade during that period resulted from the automotive agreement. As a result, Canada's current account balance deteriorated from 1970 onward with the deficit reaching some 3.3% of gross national product in 1975 — a situation unparalleled since the foreign exchange crisis and recession of 1959-61.

This question of international competitiveness also reaches into the sphere of foreign investment where, after several decades of "most favoured nation" treatment, Canada is facing increasingly stiff competition for investment dollars, especially from the United States. In that country, labour costs have increased less rapidly than in other nations. In addition, the United States has a relative abundance of many raw materials and, perhaps most important of all, it offers an environment of economic and political stability free from the constant threat of nationalization and other socialistic endeavours. The Steel Industry is particularly concerned about any trend whereby potential consumers of basic materials are siphoned away to another environment. Our growth plans are based primarily upon home demand, therefore a domestic economic environment competitive with that of the United States is of vital importance to us.

Competitiveness must also be a continual item of dialogue between management and employees, in view of the fact that competition from other nations is becoming such a critical concern. If a business is engaged primarily in the export market, this factor will be omnipresent. If an organization is predominantly manufacturing for the domestic market, the trend of competition from imports must be carefully watched. A high level of imports competing with domestically produced products could mean unfair competition or dumping, and, in my view, as international competition becomes more aggressive, the federal government must react more swiftly in support of domestic industry when this happens. On the other hand, it could also mean that Canadian costs, service and quality, individually or collectively, have become uncompetitive and that consumers are no longer purchasing the domestic product. In such a situation, I think any organization or industry could expect to be faced with stringent scrutiny of its efficiency and productivity before governments could justify quotas or other forms of support. Consumers would demand nothing less.

Another crucial cog in a healthy and efficient economic system is the encouragement of individual initiative supported by appropriate economic incentive.

There is strong evidence that self-interest, at least to some extent, motivates virtually every form of human endeavour and this is certainly true of economic activity. The Scottish philosopher, Adam Smith, elaborated very clearly just how and why the natural instincts and capabilities of free men caused economies to change and progress.

The American economist, Otto Eckstein, describes capitalism as the only engine that has been developed so far that encourages people to be highly innovative and to develop new products and processes. In contrast, centrally managed economies have rarely done well in developing civilian high technology industry — largely because inventors lack incentive. In many socialist economies, the same lack has led to shoddiness in many of the goods and services that provide life's amenities.

The British experience, in particular, is something that must be pondered most carefully by our national policy makers. In a recent London-based article, John Crispo outlines very clearly the squeeze that is currently taking place on the British working middle class and the detrimental effect this is having on that nation's economy. As this squeeze hits increasing numbers of managerial, professional and skilled personnel, the more it detracts from their ability to apply full concentration of their talents to their work. The end result has been a flight of talented individuals to more attractive environments elsewhere. Mr. Crispo speculates quite correctly on just how long a society can continue to hand out such punishment to such a vital group before creativity, confidence, motivation and productivity are irreparably undermined.

Incentives aimed at the growth of small and medium-sized companies are also vital to Canada's economic future, since in many cases they are created through the activities of entrepreneurs and innovators. Risk capital is an important ingredient for their success and the current trend away from equity investment should be a source of concern to all of us.

We in basic industry can also attest to the need for risk capital and an economic environment in Canada that is conducive to the entrepreneur because it has been our experience that many of the latter have developed creative and innovative products and services for the marketplace. It is essential to our future economic well-being that we retain this type of initiative here in Canada and not lose it to the United States.

In any discussion of initiative and incentive, I would be remiss if I did not make reference to the current Federal Prices and Income Controls. In our response to the federal government's "The Way Ahead", Stelco indicated that wage and price controls should be lifted as quickly as possible, subject to other actions taken by the federal government within its jurisdiction.

It is our contention that, if controls continue for too long a period, distortions in normal economic activity will become too deep-rooted and overkill could take place with respect to investment, initiative, creativity, efficiency and productivity . . . the very elements required to combat inflation.

A considerable amount of Canadian innovation and achievement has come about as a result of a high concentration of economic activity in major projects constructed since the late Forties. These projects were geared primarily toward energy supply, transportation and resource development. Need I call your attention to such major accomplishments as the St. Lawrence Seaway; TransCanada Pipe Lines; Interprovincial Pipe Line; Churchill Falls and, of course, our Centennial highlight Expo 67, a project of immense social as well as economic significance.

During this period, skills in design, construction and project management techniques were developed to an extremely high degree, coupled with the development and training of large construction work forces. New and innovative construction materials of all kinds were developed by many suppliers together with the production capacity necessary to handle such demands. In Canada, we now have a construction network with skills second to none and with the ability to handle projects in the fields of energy supply, transportation and resource development of any magnitude. Because of inflation, it is going to be more difficult to undertake such projects in the future. Nevertheless, it is vital that the human resources and talent that have been built up and developed continue to be utilized.

Surely this record of achievement should be enough to eliminate any doubt or cynicism there might be about the ability of Canadians, for example, to develop and transport energy from our northland. The difficulties and challenges inherent in such undertakings are immense, but nevertheless, in my opinion, pipelines can be built safely, with adequate protection of the environment and in keeping with the best interests of all Canadians.

Talking about innovation, I might mention here that Stelco is currently involved in the largest single development ever undertaken in the history of the Canadian steel industry. At Nanticoke, on the shores of Lake Erie, we are currently constructing a new steel plant from the ground up that, by the 1990s, will double our current annual steelmaking capacity of six million tons. Canadian talent is handling this massive project and we are taking innovative approaches not only toward steelmaking and rolling technology but also toward preservation of the environment, including the creation of greenbelts and the planting of over 50,000 trees and shrubs before a single ton of steel is produced.

Another crucial element of a healthy economy is effective management. This has been defined as the ability to plan, to set and communicate clear goals and not to overlook the long-run consequences of short-run decisions. It also involves the capacity to follow through to ensure that policy is being implemented wisely and well and the ability to anticipate costs. In the years ahead, it is my belief that the private sector's management activities will be under pressure to become more expansive and exhibit a readiness to communicate to a broad range of public audiences; to become involved in the early stages of the legislative process; to research and develop the technology that will be required to produce the new and changing amenities that western society will require ten and twenty years from now.

There is increasing evidence to support the growing belief that many of the credibility problems currently being experienced by government stem from a failure to manage effectively. For instance, in the development of social programs, sound management principles are invariably tossed overboard.

A recent article in the *New York Times* brings this contention into focus by observing that the welfare state of today has been constructed in such a headless, often mindless, way that, like so many reformations, it creates as many problems as it solves. The wasted billions of the modern welfare state are not to be found in the older social insurance schemes, but rather in later efforts to solve "social problems", that is to take every disagreeable condition and convert it into a "problem" or perhaps even a "deprivation". There are vested interests attached to each program and any move against them will be denounced. It is only when the money runs out that a sense of realism tends to sink in.

There is little question that the current economic era calls for governments to manage their collective bargaining process effectively, tying wage increases to demonstrated gains in productivity. It also requires, on the part of government, a commitment to the development of sound personnel management skills in order to achieve increased productivity. Business needs this backstop from government if its efforts to achieve greater efficiency and competitiveness within its own environment are not to be undermined.

The stress that I have laid this afternoon on competitiveness, initiative, innovation, sound management and incentive is compatible with the industry with which I am associated and my own company in particular, since these elements have all played a major role in the success achieved by the Canadian steel industry. Moreover this success has been achieved by virtue of a range of operations and activities that have been conducted in the best interests of the country. This was precisely the conclusion reached by Chief Justice Willard Estey when, in his report on the Canadian steel industry, he stated and I quote:

> Fortunately, by progressive management, technological pioneering, the investment of risk capital, the availability of skilled work forces, equitable tax structures, and a community atmosphere which fostered the growth of a stable relationship between industry and government, Canada has a steel industry of world class—technologically, industrially and financially.

It is, however, because of my personal involvement over many years in the day-to-day business of Stelco that I am able to indicate to you, with some degree of assurance, the role played by these elements in maintaining the well-being of our enterprise — one, incidentally, which because of its basic product, provides an important barometer for the Canadian economy.

Since joining Stelco in 1947, I have seen investment decisions taken that have not only thrust raw steel production from one million to six million tons annually, but have also provided for environmental control equipment valued at well over $200 million. As a result of those initiatives, Stelco's ranks have swelled from ten thousand to over twenty thousand, persons from every part of the country (a mobility we seem to have lost these days in Canada), individuals from many social, ethnic and economic backgrounds including the skilled, the unskilled and the professional, all developing and growing on the job.

Over these same thirty years, Stelco's constituency has grown by leaps and bounds and now numbers well over one hundred thousand — employees, retired employees, shareholders and their families, together with suppliers, customers, contractors, consultants and others, all dependent upon the well-being of our company, and all fairly treated because we have been successful and profitable.

New technologies have been developed both by individuals and teams, with applications ranging from the metallurgy of steel pipe under high pressure that will safely withstand the low temperatures of the Canadian northland to the tighter gripping qualities of "ARDOX" nails that the hardware store sells. Quality control on all our products has become more and more precise; sales engineers have been organized to assist our customers to make more efficient use of our products; operating crews have broken world records and our products now are distributed throughout the world.

The large corporation with its so-called "power" is currently the target of considerable criticism within our society. There are those who seem to be dedicated to breaking up such institutions, changing them drastically or putting other restrictions on them. The increasing intrusion on the part of government on all levels into the private sector would seem to bear this out.

But surely Stelco's performance over the years would scarcely seem to be typical of an institution that has consistently ignored the needs of Canadian society, or one that is incapable of adjusting to new situations. This same type of history can be repeated for many other companies across Canada, large and small, foreign-owned and Canadian-owned. If the ingredients I have outlined can carry Stelco intact through sixty-six years of ever-changing business environment, surely they have some relevance when it comes to dealing with our national economic future.

Lastly, I come to the element of communication. In an era such as the present, it is essential for the leaders of all our national institutions, be they government, business, labour, consumers, to understand that their economic decisions will have a greater impact than ever before on the stability and well-being of Canadian society. We cannot afford to make mistakes or be indecisive. It is for that reason that communication must be bolstered and understanding fostered.

For instance, despite the fact that Canadians today are better educated than ever before, the role of profits in building this nation is generally not understood or is deliberately propagandized into a more sinister role by forces both from within and outside of a company constituency. The key issue, of course, is how profits are used.

It is unfortunate that only a few of our secondary schools today emphasize in their curricula studies of our economic system, although I am happy to report that an organization called "The Canadian Foundation for Economic Education" is striving to correct this shortcoming. This organization is supported by both business and labour and I take particular pleasure in the fact that Stelco was one of its founders.

The need to communicate is paramount within our society and it is encouraging to note the moves that have been made of late to achieve improved communication and dialogue between business and government. In this vein, I would like to see more attention given to identifying the issues that should be dealt with through this linkage. For example, two economic issues which, in my view, require urgent attention are exports and capital spending. In each case, the national objective should be a dedication toward steady, unfaltering real growth.

It is also encouraging to note that more and more of our nation's political leadership is showing signs of seeking to bring about a greater dedication toward more efficient management within their jurisdictions. Hopefully, at the same time, they will seek to bring about a national economic environment that stresses competitiveness, initiative and innovation. To our political leaders, I say — "Don't turn Canada into a society where its citizens walk away from hard economic reality and think that someone else will always be there to look after them no matter what their problem. Instead, strengthen their resolve for personal initiative and allow them commensurate reward."

To our political leaders I also say — "Make more use of the practitioners of business. Help diffuse the unfounded cynicism about our business institutions by having more faith in their ability to co-operate and assist rather than turning to the theorist or to the inexperienced."

Votes versus profits are not always compatible but politicians should not condemn or curtail profits, particularly those that are working and doing what society wants them applied to, namely:

- building new plants to create construction jobs as well as permanent operating jobs;
- replacing old plants to remain internationally competitive and thus maintain jobs;
- installing machinery to reduce costs to remain internationally competitive and thus maintain overall job stability;

- developing and installing environmental control and energy conservation equipment to keep abreast of changing social needs;
- supporting major research projects;
- supporting community funding of health, educational, cultural and United Appeal programs.

For the sake of our future economic health and vitality as a nation, we must rekindle faith in the business and entrepreneurial institutions of our nation and awaken once more the spirit of enterprise and initiative that forms the foundation of our national well-being.

No one could have put this need in more eloquent terms than Neil Carothers when he stated:

> Look back along the endless corridors of time and you will see that four things built civilization — the spirit of religion, the spirit of creative art, the spirit of research and the spirit of business enterprise.

The appreciation of the audience was expressed by Mr. Sydney Hermant, a Past President of The Empire Club of Canada.

JANUARY 18, 1977

Past President's Dinner

GUEST OF HONOUR H. Allan Leal, Q.C., LL.M., LL.D.

CHAIRMAN The President,
William M. Karn

PROGRAMME

Grace
Sir Arthur Chetwynd, Bt.

Toast to the Queen — The Chairman

Response — Greetings from Her Majesty Queen Elizabeth II by the Hon. Pauline McGibbon, O.C., B.A., LL.D., D.U.(Ott.)

Toast to Canada and the Commonwealth
Major-General Bruce J. Legge, C.St.J., E.D., C.D., Q.C.

Response — the Rt. Hon. Roland Michener, P.C., Q.C.

Toast to The Empire Club of Canada
Peter Hermant, Esquire

Response — Harold C. Cranfield, M.D., F.R.C.P.(C)

Presentation to the Guest of Honour
The Chairman

The Past President's Dinner was attended by fifty guests and held at the Royal Canadian Military Institute. It was honoured by the presence of the Honourable Pauline McGibbon, O.C., B.A., LL.D., D.U.

(Ott.), Lieutenant Governor of Ontario, and the Rt. Hon. Roland Michener, P.C., Q.C., and many distinguished past presidents and directors of The Empire Club of Canada.

In his presentation remarks, William M. Karn reviewed the impact of Mr. H. Allan Leal's experiences in Beloeil, Quebec, at McMaster University, Harvard University and Osgoode Hall, as well as his service in the Royal Canadian Artillery, and current Chairmanship of the Ontario Law Reform Commission on his performance as President of The Empire Club of Canada during the 1975-76 club year.

Mr. Karn presented an engraved silver serving tray to Mr. Leal.

MR. LEAL:

Mr. Chairman, Your Honour, Right Honourable Sir, and gentlemen: May I first express my thanks to the Chairman, our worthy President, Mr. William Karn, for his kind introduction. I fear that accuracy has yielded to generosity, but I remind myself that he was not under oath. I am grateful that you should have turned out in such numbers on this clanging cold winter's night to treat the last withdrawal symptoms of your immediate past president. Particularly I appreciate the fact that Her Honour, the Lieutenant Governor, and her husband, and the Right Honourable Roland Michener should do me the great honour of their presence here on this occasion.

Mr. Chairman, in accepting with sincere thanks the handsome silver tray that has just been presented to me, I want to acknowledge publicly my profound debt of gratitude to you and through you to the Directors, the executive officers and the general membership of this club for this generous testimonial dinner and, above all, for the splendid support given to me during my term of office. It was a privilege to have had the opportunity of serving you.

In addressing myself to what I might say this evening and in the absence at this date, of a copy of the annual year book for 1975-76, I turned to the annual volume of twenty years ago and found there an excerpt from "Origin and Objects of the Empire Club", originally published in the year book for 1903-04 in the following terms:

> On November 18th, 1903, a small meeting was held in Webb's Restaurant, Toronto, mainly on the initiative of Lieut-Col. James Mason, for the purpose of preliminary discussion. The Chairman in a brief speech pointed to the desirability of an organization, following the plan of weekly luncheons, to be addressed by prominent men, or men speaking with authority upon the issues of the day, and having also a distinctive basis of British Unity in its work and policy.

And, as some evidence that our founding fathers knew how to move things along in their day, the excerpt continues:

> A sub-Committee met on the following day and appointed . . . a Committee to draft a Constitution.

Such reads the account of our origin, and I would like to dwell briefly on the duality of our purposes and function. This club for a period approaching seventy-five years has, indeed, provided a signal service to this community and the country at large and fulfilled its founding purpose by providing a forum for the airing of the issues of the day. We have done this well and have reason to be proud of our record and to be confirmed in our resolution to continue it for the indefinite future.

Less satisfied, I think, ought we to be about our adherence to the "distinctive basis of British Unity in its work and policy". Permit me to say that I am growing increasingly impatient with people slamming Britain. She can well do without fair-weather friends at this critical stage of her long, glorious and eventful history. Rudyard Kipling had some pointed things to say about fair-weather friends. But if she must be called upon to endure them, may they not be recruited please from the ranks of my colleagues of The Empire Club of Canada who are assembled here tonight. It ill behooves us in this country, we who have been nurtured and permitted to become "maître chez nous", to deny to Britain the same privilege.

It is not given to us to know what the future holds, but that should not blind us to what the past has been. History is replete with evidence of the making and breaking of nations, enough to make it abundantly clear that greatness is a multi-faceted thing and that the fortunes of nations are cyclical. Britain has had her ups and downs.

If one were limited to a single source in writing the history of England one might well choose her poets. This I have done and would like to quote two passages. The first is from a group of poems by Wordsworth on national independence and liberty and the sonnet is entitled *London, 1802*. I would remind you that this was at the height of the scourge of the Napoleonic Wars. Militarily ineffectual, politically stagnant, caught in the grip of the continental blockade and unable to export her products to the point of economic strangulation, her laws and legal institutions in disarray, Britain was in a sorry plight.

It was this unhappy state of frustration and despair which inspired Wordsworth to write:

> Milton! thou shouldst be living at this hour:
> England hath need of thee: she is a fen
> Of stagnant waters: altar, sword, and pen,
> Fireside, the heroic wealth of hall and bower,
> Have forfeited their ancient English dower
> Of inward happiness. We are selfish men;
> Oh! raise us up, return to us again;
> And give us manners, virtue, freedom, power.

And how soon was the tide to turn. With the great victories of Trafalgar, 1805, and Waterloo, 1815, the spectacular reform of her parliamentary institutions by the Great Reform Bill, 1832, and an impressive law reform program commencing about 1830, by which much of the law of England was transformed, Britain was geared to enter upon her golden age.

The achievements inspired Browning in the 1840's to write those stirring lines in *Home-Thoughts, from the Sea*:

> Nobly, nobly Cape St. Vincent to the North-west
> died away;
> Sunset ran, one glorious blood-red, reeking
> into Cadiz Bay . . .
>
> "Here and here did England help me: how can
> I help England?" — say,
> Whoso turns as I, this evening, turn to God to
> praise and pray,
> While Jove's planet rises yonder, silent over Africa.

We know now that, in the words of one most qualified to judge, it was a century later during the heroic Battle of Britain that she reached "her finest hour".

Mr. Chairman, I yield to no man the essential and significant abc's of my Canadianism — by ancestry, birth and commitment. One surely is not to be thought less worthy because of a desire to give recognition and continuing allegiance to the founding races that made us what we are.

JANUARY 20, 1977

The Ontario Tax Payer's Stake in our Judicial System

AN ADDRESS BY The Hon. Chief Justice W. Z. Estey,
CHIEF JUSTICE OF ONTARIO

CHAIRMAN The President,
William M. Karn

MR. KARN:

My Lord the Chief Justice, distinguished head table guests, ladies and gentlemen: Our guest of honour today is certainly among friends. According to a cursory examination of about 2,500 membership cards, it has been established that approximately 10% of our faithful supporters are qualified to practice in the legal profession, many as Her Majesty's counsel, learned in the law. They are exceeded in numbers only by those who are identified with financial institutions.

We now have one explanation as to why our club finances are kept always under close scrutiny and the limitations of our constitution rigidly observed.

Today we are reaping a further benefit from our distinguished Past President, H. Allan Leal, Q.C., LL.M., LL.D., whom we honoured at the Past President's Dinner two nights ago. Because of his friendship for our guest of honour, he had merely to ask His Lordship last June to address our club to receive an immediate response in the affirmative.

Or could it be, Allan, that His Lordship wished to observe our club at first hand to see where you spent so much of your time last year, while the Attorney-General patiently awaited reports from the Law Reform Commission of Ontario.

When I discussed the large attendance with his Lordship before the meeting, he replied that our members might be like Saskatchewan gophers. The warm weather brings them out!

Last June, when our request was made, the Hon. Mr. Justice Estey, then Chief Justice of the High Court of Ontario, was probably the busiest man in Canada, and still is. He was then looking at a backlog of 1,100 Supreme Court cases in Toronto, which he attacked with the same vigour and determination as he did the beachhead of Okinawa, where he landed during the Second World War with the Marines.

His objective was to clear that congestion by the year end, and I am told he very nearly achieved his plan. Having survived that ordeal by introducing unprecedented streamlined procedures, he was an obvious candidate to succeed Chief Justice Gale, who with Mrs. Gale honoured our head table at our Christmas Party, and who retired from the office of Chief Justice of Ontario shortily thereafter.

Our guest of honour is a native of Saskatoon, where he obtained his B.A. and LL.B. degrees from the University of Saskatchewan and was admitted to the bar of that province at the age of 22. Four years later in 1946 he was awarded his LL.M. degree from Harvard Law School.

Ontario has been the beneficiary of his talents, making him a member of its bar in 1947 and appointing him a Queen's Counsel in 1960.

During his illustrious career he has served his profession as a bencher and committee chairman in the Law Society of Upper Canada; executive member and Vice-President for Ontario, Canadian Bar Association; and as a partner from 1947-73 in the firm of Robertson, Lane, Perrett, and Estey. I have it from an unimpeachable source that it was a dull day in that firm whenever "Bud" Estey was away.

During World War II he served first as a Major in the Canadian Army at Defence Headquarters in Ottawa. He resigned and re-enlisted in the Royal Canadian Air Force to see more action as he flew bombing missions over the Pacific.

To his community he has made a generous contribution as a member of the board of governors, York-Finch General Hospital, and as a member of the Kiwanis Club.

To Canada he has made a responsible contribution, serving as Commissioner, Steel Profits Inquiry, 1974; and Commissioner, Air Canada Inquiry, 1975.

Following in the footsteps of an upright, serious, hard-working Saskatoon lawyer and professor, who became a judge in the Supreme Court of Canada — his father — it is not surprising that His Lordship has progressed through the Supreme Court of Ontario to his present position.

It is a distinct privilege and honour for me to give you the Honourable Chief Justice Willard Zebedee Estey, Chief Justice of Ontario, to speak on the subject "The Ontario Tax Payer's Stake in our Judicial System".

HON. CHIEF JUSTICE W. Z. ESTEY:

Mr. Chairman, ladies and gentlemen: First of all, Mr. Chairman, you shouldn't feel too badly about just getting the title to my speech. I only got it from my law clerk at eleven o'clock.

This is a great day for me to arrive here and find amongst the guests my old partners. At first I was worried that they were here about some discrepancy in our books. The Statute of Limitations period has another two years to go. The best part of it was, though, that for the first time since 1947 Norman Robertson didn't say to me, "Have you got any bills out today?" I also noticed that the television camera down there belongs to Rogers Cablevision. Having run one of their competitors for a while I know that it doesn't matter what I say because not much is going to come out the other end anyway.

It's very comforting to be able to come to a club like this and discuss some phase of the law business. All laymen think of the law as slow moving and tradition-bound and regressive, and so on. But we have here a group which calls itself the Empire Club and of course obviously that organization has to be pretty precedent-minded and hidebound and regressive, because hardly anybody in this audience can even remember an Empire, and those who can figure that we were on the wrong end of it anyway.

Before I leave that question of names, it occurred to me that another funny name in town that harks back to the past is, of course, the Law Society of Upper Canada. People in Ontario think that that is a nostalgic connection to the past, but those living outside of Ontario regard it as either blatant conceit or an exercise in eastern arrogance second only to the national freight rate structure.

Mr. Chairman, I will now digress into the topic. In order to discuss with you the financial and economic problems that we find in the courts today, it's necessary to give you a brief description of the legal system in Canada. This necessity is unique to Canada. This is probably the only country in the world that understands someone else's legal system better than its own. We all know much more about the American legal system, thanks to Perry Mason and Petrocelli. In fact, when you first start into a discussion about our legal system, you have to first of all state (over sighs of amazement from the audience) that our judges are not elected. Of course, you only have to look at them for a moment to realize that!

The other thing is that we're one of the few countries in the world where the courts are not part of the political system. In China, for example, the courts are undoubtedly part of the re-education process. In fact, the sentence for a criminal is usually to be "re-educated" so as to become a defender instead of an enemy of the people. France is not unlike that. Their courts seem to be part of the political system, at least when it comes to getting rid of internationally hot prisoners.

We have a somewhat watered-down version of the American system of separation of powers, and the judicial branch stands separate and apart from the other two branches of government — as separate as you can be when your pay comes from one of those branches.

To get back to our judicial system, it is easy to describe it in terms of U.S. parallels. It's safe always to start by saying we have Crown Attorneys — those are "District Attorneys" —and everybody knows what that means.

The other part of our system is a little more difficult, because we have a different kind of constitution than most other countries. We don't really have a constitution. We live by another country's statute — the British North America Act. When you start a discussion of anything by referring to the British North America Act, you get the same reaction that the surgeon gets when he gives that first shot of chloroform.

We can't start off by laughing at other people's systems. We have a number of peculiarities in our own court which have always amazed me. One of them is "weekly court". You know at once that that means "daily". Then we have the High Court of Ontario, which is the *lower* half of the Supreme Court of Ontario.

We are, in Ontario, in the common law system. It has nothing to do with common-law wives, so you'll find nothing interesting in what's about to be said. The common law system, however, is as much a part of our history as the flag. It started to evolve slowly, starting formally with the Norman Conquest. But actually the roots of our common law, which is a collection of the public habits and mores of the community in all the fields of criminal and civil activity, evolved by judicial decision — so to that it is inaccurately said to be "judge-made".

The common law, of course, has to be collected, classified, catalogued and indexed, so as to approach a system of rules for the governance of the community. That process pretty well peaked in this century, probably about World War II.

Paralleling that development, but coming even more slowly, was the establishment, back in the days of Simon de Montford, of the legislative tribunals who create the more patterned and deliberate rules which we find in our statutes. These began to be polished up in the era of Gladstone and Disraeli. And so we have in our common law system today a meld of common law coming from judicial decisions and the statute law coming from, now, the people elected in the community for the purpose of adopting those rules. Those two are now webbed together, and we share that kind of tradition with most of the other English-speaking democracies.

The same process has happened in Great Britain, the United States, Australia and Canada. First the rules were established in a small community, and they were simple. They were largely municipal, both in the judicial and legislative senses of that term. Then we saw evolve at the national government level, in England first, a combination of those two sets of rules. And finally, the gradual and slow, almost accidental, evolution to the meld of rules in a federal system. It is that complication that we have to consider today when we talk about the courts of our country.

The federal system, by axiom, requires a definition of legislative powers between the two components, the provincial or state and the federal or national government. That division of power occurs much more formally in the United States and Australia than here; fairly formally here under the British North America Act. But being a British statute as it is, and coming as it does from a unitary state, it is not surprising to find that the British North America Act nowhere uses the word "federal", nowhere speaks of the national executive, and the word "cabinet" does not occur in the statute.

So when we turn to the British North America Act to find out whether or not a provincial or a federal statute is *intra vires* or *ultra vires*, you can see how much help we don't get from that statute. And of course, we cannot amend it. The British can amend it, but we cannot.

Under that statute, the courts are dealt with in a very complex way. The organization of our courts is left to the provinces. The appointment and payment of the judges is assigned to the federal government. However, that description only applies to those courts which at the time of Confederation were described as "superior courts" or county courts. All other courts, which are for convenience only referred to as "lower courts", are organized and appointed and supported financially and physically by the province. The only exceptions to what I've said are those courts which may be organized by the federal government itself, and I'll come to those in a moment.

Within the province of Ontario, we have both sets of courts, both the provincial courts — owned and operated by the province — and we have the provincially organized and federally appointed courts.

To start with the Supreme Court of Ontario: there is a Trial Division and Court of Appeal Division. The Trial Division is called the High Court; the other the Appellate Division. The High Court has 38 judges, 37 appointed. One cannot be appointed because the federal government forgot to match the federal statute to the provincial statute, so we have room on the bench for one! The Court of Appeal has 14 judges. The jurisdiction of the Trial Division is over serious crimes and actions involving more than $7,500, and certain actions unique to it in the field of defamation and so on which are not of concern to us today.

The Provincial High Court operates on a circuit system based in Toronto, in the 48 judicial centres or county towns of Ontario. The Court of Appeal sits in Toronto. The staff and court houses are provided by the province, the structure is organized under the provincial statute, but the judges are appointed and their salary is paid by the government of Canada.

Next you have the County Courts, one for each of the 48 counties. There are about 113 county court judges, because some courts have a large number of judges. The Municipality of Metropolitan Toronto (County of York) has 27. In addition to those assigned specifically to counties, there are 26 county court judges who are appointed to float about the province and sit wherever they are assigned by the Chief Judge of the County Court.

The County Court, like the High Court and the Court of Appeal, is organized, housed and staffed by the province at the expense of the Ontario taxpayers. The judges are appointed, and their salaries are paid by the federal government.

That is the federal arena.

Below that, or beside that, is a provincial court structure that is divided into four pockets, but they are not very complicated. The labels are, with one exception, self-explanatory.

First, the Provincial Court Criminal, which handles by far the bulk of the criminal law cases in Ontario. Then, the Provincial Court Family, which handles the maintenance allowances for deserted wives and dependent children and matters pertaining to family law, exclusive of matters arising out of the divorce act. Then you have the Small Claims Court, which handles claims up to but not exceeding $400. In other provinces, they have been more nervy about assigning jurisdiction which might challenge the Confederation test and thereby deprive the province of the right to appoint the judge. In Quebec, the ceiling is $3,000. Saskatchewan has always been inclined to gear the jurisdiction of the Small Claims Court to the price of wheat and it is now up to $5,000. The last provincial court is the Surrogate Court, which handles probate and administration of estates. Those courts are in fact manned by the County Court judges, but the province has the power, and has exercised that power to organize the Court.

In addition to that structure of provincially organized courts, we have operating in our province federal courts, which are both organized and appointed federally. They consist of two courts, the Federal Court of Canada, and the

Supreme Court of Canada. The Supreme Court has been the court of last resort since 1950. There are no more appeals to the Privy Council.

I remember hearing a great story about that. The great Senator Ferris was arguing a case up in the Supreme Court of Canada and Chief Justice Rinfret said, "We've heard that argument before, Senator. How would you like to sit down." But the Senator kept right on going, and Rinfret kept right on cutting him off. The Senator was a little hard of hearing. His hearing varied inversely with what he wanted to hear. Finally he sat down, and in a loud voice he said, "And to think they've cut off appeals to the Privy Council."

But the Supreme Court of Canada is the last word.

That court, since 1975, is accessible to the litigants of Ontario *only when leave is granted* to take the case there. It is Supreme Court policy to handle about 140 cases a year. That is, in effect, on a population basis, which I understand is the way you win in Loto Canada, about forty cases a year from Ontario. Less than one a week can be appealed, which means that in fact you back up the judicial process into Ontario. The Americans have achieved something similar by a very elaborate constitution in which a state is indeed a sovereign state with the power to cut its appeals off inside the state.

The other court, the Federal Court of Canada, is the successor to the old Exchequer Court, which subject will be dear to the hearts of many here as being the forum in which you fight with the government over your taxes. In addition to tax appeals, the Federal Court hears claims against the federal government, shipping and navigation (although that is concurrent with the Supreme Courts of the provinces), copyright, patents and trademarks, courts martial, and other things peculiar to the federal system. From that court there are appeals to the Supreme Court of Canada. The Federal Court sits almost continuously in the Canada Life Building in Toronto.

So much for the court structure.

The reason why the courts now are so burdened, I think, can be stated very briefly. While it has taken a thousand years to evolve the common law, and now that we have finished that process, we suddenly find ourselves thrust into a new epoch. This is the era when the courts, and these elaborate rules for the governance of the society, are to be made available to all members of the community, both physically available and economically available. That goal, and its realization, has caused a tremendous increase in litigation and has, indeed, glutted some of our courts. It has done the same in the other democracies in the western world.

There is, of course, the parallel in medicine. In the early 50's, when the state-financed hospitalization plan followed by the state-financed medical care plan were introduced, we had to phase them in because there were not enough medical services to go around. With the introduction of the Ontario Legal Aid scheme about a decade ago, we experienced exactly the same result, although somewhat more gradually, because law is much less dramatic than medicine. It takes time for people to realize that they have these rights; it takes time before the law profession gets the cases into court. But the flow through the courts is like the snake swallowing the mouse. You can see the bump moving along. And one bump follows another. We are now up to $28 million a year legal aid. That is a lot of legal expense, a lot of litigation.

Many thousands of people in 1976, legally aided, would probably never have gotten to court before. But there is more to it than that. There is a wave of realization on the North American continent, perhaps more than anywhere else, that people have these rights, and that these rights can and should be enforced in the courts.

The result has been tremendous. A reporter on the *Los Angeles Times* staff two weeks ago decided to find out what the people are bringing to court now which they never did before. He went into the United States Supreme Court building, looked up their index of cases, and found to his amazement what that great legal machine was being called upon to determine. And I picked out from the long list four disparate examples.

Number one: a contest to determine whether or not the University of Oklahoma can be forced by the National Collegiate Athletic Association to reduce its football coaching staff from 13 to 9. Another: whether a person illegally denied access to a famous Washington bar for lack of a coat and tie had thereby suffered "humiliation, scorn and discrimination contrary to the Constitution." Thirdly, at the behest of an inmate, whether a specific federal penitentiary was unconstitutional because it was a low-cost housing project used to house non-white prisoners only. Fourthly, whether a hockey player injured in a brawl on the ice has a right of action against his adversary, both teams, the league and the referees for an injury in a fight which he started. And that will be a five to four decision!

There are other reasons why, in our case, the courts are so busy. They can be combined into one long sentence. That the introduction of measures dealing with environmental law, zoning disputes, consumer law, technological advances such as are present in the Karen Quinlan case, class actions, ombudsmen, "legally-aided" criminal defences, all are contributing their varying trickles to a torrential stream that now threatens to wash the courts and the law machine right out to sea.

Governor George Wallace, in one of his usual modest understatements, said recently, "the thugs and the federal judges have taken over the country." And this raises an historic paradox. These new rights, and the right to realize them (for one without the other is nothing), have so congested the courts that access thereto by the very people intended to be benefited thereby is in jeopardy. Consequently, with his own money, legal aid money or legal insurance money jingling in his pockets, the new litigant may have nowhere to go. The law has indeed become a spectacular growth industry. We now have in our province 11,000 lawyers. Fifteen years ago, we had half as many. The law schools are now sending them out at the rate of a thousand a year.

That is peanuts, if Jimmy Carter will pardon the expression. The United States has 425,000 lawyers. That raises a great conundrum, which I won't get into today. How is it that Japan has such a successful industrial-commercial unit competing eyeball-to-eyeball with the United States when it does it all with only 10,000 lawyers?

We're somewhere in between Japan and the United States, but as usual we are gaining on the Americans.

Against this advancing army of litigants, each armed with a lawyer, there stands a mere handful of judges cringing in court houses such as our flagship up on Nicholas Street in Ottawa, unveiled in 1870 with all the hydro and plumbing running down the outside because it was built to be the county jail! The question is, how do we now contend with this flood? Realistically, which way should the taxpayer turn to solve this problem?

Before I get into that, let me say a word or two about the problem in terms of dollars and cents. As I have said, we have 150 Supreme Court and County Court federally-appointed judges. What I didn't tell you was that we have about 115 to 130 (depending on the day you make the count) provincial criminal judges, about 70 provincial family court judges, and a few in the small claims court. We have all those judges, sitting in 450 court rooms. That throws up a strange statistic. The provincial Criminal Court occupies 148½ court rooms. I suppose Wintario operates in the other half. The Supreme Court actually uses very few facilities; the bulk of the operation is in the provincial court.

Consequently, it is no surprise when you turn to the dollars and cents, which I am going to do now, to find where the money goes. The budget of the Attorney General, for the fiscal year ending in March, was $95.8 million.

That's out of a provincial budget of $10.3 billion. Justice gets .93% of the total tax collected and borrowed money. That $96 million is divided, as between the courts and the other areas for which the Attorney-General is responsible, on the basis of $62 million for the courts, of which more than half, $37 million, goes into the provincial court system, and in turn most of that goes into the provincial criminal court. The county courts require $20 million a year of your money to operate. The Supreme Court comes at a bargain of $3.8 million.

In addition to those costs, you the taxpayer have to pay about $10 million in federal judges' salaries in Ontario, and you put out $28 million in Legal Aid, and about $7.5 million to prosecute all the crimes. Your stake in that court operation is tremendous.

Mr. Chairman, you have said that most of this audience are people in the financial world, so I can give them one note of cheer, which they will appreciate better than anyone else present, that sometimes the greatest opportunity arises in the face of the worst financial statement. Consider, for example, the tremendous value of the Johnny-on-the-Spot concession down at the Montreal Olympic Stadium, where in the words of the Zenith TV ads, "the money ran out before the wash rooms ran in." So perhaps the Province of Ontario, by setting out its system the way it has and thereby forcing the community to fuel it with the necessary money, has made available relatively inexpensively the opportunity for this generation of Ontario taxpayers to fund a reasonably sound and well-balanced legal system without a sudden investment of money such as we had to put into the hospital program to which I have adverted.

The last illustration I want to give you to measure the magnitude of the operations of the courts is in the number of cases handled. These figures have to be explained and we don't have time for that today. But where they are glaringly misleading, I will make a comment.

The Court of Appeal of Ontario, and I have mentioned already that that court is in effect the last word in Ontario, handled last year 1,803 cases, of which we estimate 35 or 40 could be appealed to the Supreme Court of Canada. When you consider that the year consists of 52 weeks, 1,803 is a lot of appeals, almost every one of which is fought out with a lawyer on each side. Each fellow arrives with a great big thick factum, and 1,800 cases is a lot of law!

I point that out because the figures that you will hear now might distort your sense of balance between these courts.

The High Court Trial Division last year handled 24,532 cases, among 37 judges and three supernumerary judges. The County Court Criminal Division handled 5,800 cases, and the Civil Division 21,800. Let me say that those 27,000 odd cases are very important. You might be left with the impression, reading quickly about jurisdictions of courts, that the County Court is a minor league. That is not the case. Their jurisdiction almost matches the Supreme Court jurisdiction. In criminal law, essentially murder is the only difference, and in Civil Law the more serious cases get into the Supreme Court. But there are in that 27,000, thousands of serious civil cases and in the county towns that is the usual forum in which they are litigated.

Now we get into the big numbers. The Provincial Court Criminal Division last year handled 2.9 million cases. Filed in their records were 3.9 million cases. They have an inventory of one million cases. That is a lot, and I'm going to come back to that point.

The Provincial Family Court handled 51,000 cases, but many of those are much more complicated than a comparable number on the criminal side.

The Small Claims Court handled 132,000 cases. The court rooms in which those cases are disposed of have become a serious bottleneck. It is easy to assail the executive branch of government and say that we don't have enough court rooms. One of the reasons we have not enough in the City of Toronto, which is where the bind really is, has nothing to do with the provincial government at all. The real reason that we do not have enough court rooms in the Supreme Court and the County Court is that a City Council a little more than ten years ago said, "You can't put footings under the court-house on University Avenue which will allow it to be extended up another ten storeys because 'we don't wish the new city hall to be overshadowed by the court-house'." So now we have a six-storey Court House and a forty-four storey hotel overshadowing the city hall.

The newspapers are always quick to point out the big backlog of cases. They love that word "backlog" and so do we, so that when we started to clean up the mess, instead of calling it the "Accumulation of Cases Task Force" we called it the "Backlog Blitz". We caught up on the cases and cut the number of the backlog in half. But the more important statistic is that for the serious litigation in Toronto, where a great fraction of the serious litigation of the whole nation takes place, which is one of the reasons we have a backlog — we get these one-month combines trials and now we have an eleven-month computer trial going on involving two national organizations — in Toronto we have reduced the backlog in point of time from a waiting period of 13 to 16 months down to a waiting period of six to eight months.

The waiting period has to be not less than three to five months as the law profession cannot operate any other way, having in mind the fact that the lawyers have to prepare the cases. Although some days I wonder about that! They have to examine for discovery, as we like to say, and find each others' documents, and that sort of thing. Then you have to schedule the hearing when the witnesses are in town, and the lawyers are available and not on other cases. So you have to have a backlog time period of three to four months minimum.

What would be an ideal situation, and I think we can attain it, is to have serious litigation originate by Writ of Summons in September, and have it processed through the Court of Appeal by the end of the following June. We could do that only if we were allowed to spend a little money to experiment with some new method of getting evidence typed. That is a very sore point with us because we have a serious accumulation of cases that are in appeal, but cannot be heard because nobody is available to type the transcript which was taken and recorded in court. It is a simple problem. We have 36 Supreme Court reporters, and they are busy every day recording evidence in court. When they get an order for an appeal of one of their cases, they have to come out of court and type it. We have nobody to put in their place. We haven't because we did not plan properly and put it in the budget two years ago. More seriously, we are harnessed to the idea that you have to have either someone in the court room taking the evidence or someone outside typing it. There are technological avenues available to us now which we are trying to persuade the authorities to let us use, and which I think will eliminate that time-lag whereby people who want to have a case heard in appeal can't get there because they can't get it typed.

There are other reasons besides the financial ones and the physical ones as to why the courts are now in difficulty, and why the community has an interest in doing something about it. These are what you might call the "non-financial expenses" of the courts which could be avoided.

I have dealt with the direct cost to the taxpayers. But a cost I didn't deal with and which we could reduce if we had more efficient procedures is the cost of hiring lawyers to litigate the cases. There are no figures in Ontario on the cost of legal fees in our litigation system. However, you can work it out in a rough kind of way from the number of court rooms which are active every day, and how much it costs from the legal expense point of view to operate a court room. In October, somebody worked out in a very elaborate case we had in the Supreme Court that the trial was costing the litigants directly $35 per minute. That doesn't count the cost of appeal and transcribing the evidence, which is very high. That's the high water mark. The low water mark is the smallest legal aid tariff there is. If you average those two out, and assume that three-quarters of the court rooms are busy all the time, the very minimum annual charge to the litigants in Ontario for legal fees is $70 million.

If that is out 20% one way or the other it doesn't matter very much for our purposes. It's still a great deal of money. If we could adopt procedures which would shorten the time, even an hour a day in court, you can see that in terms of $70 million that would be a great saving.

There are many things which we should be doing, and I'm going to list those, but I hesitate to do so realizing that television will take it out of context if they feel like snipping up the tape, and the press will squeeze it into the space between Ben Wicks and the Want Ads, so they'll pick out something which is going to hurt. The point is I don't want you or the press to jump to any conclusions.

I remember a great story about John A. Macdonald which has a double lesson in it about jumping to conclusions. During a campaign, one night in Smtihs Falls, Sir John got up on the platform but the crowd decided they wouldn't let him speak. Finally a big fellow from the back of the hall came striding forward and announced himself as one McCarthy. He said, ,'This man has come all the way from Ottawa, and he's going to be heard, and I've come all the way here from my farm, and I'm going to hear him. So sit down and shut up!"

Sir John was very pleased about this, and thanked Mr. McCarthy profusely for the great service that he was rendering democracy. But McCarthy cut him off and said, "Macdonald, I want to make it clear that I am no supporter of yours. With the record you've got, I wouldn't vote for you even if you were the angel Gabriel."

Macdonald replied, "McCarthy, if I were the angel Gabriel, you wouldn't be in my constituency!"

The greatest enemy we have to efficiency in the courts is delay. It has an immeasurable consequence. First of all, it increases legal fees. Secondly, it puts benefits into the hands of those who profit by delay, whether it be the custodial parent *de facto*, or the possessor of the asset over which the fight is being waged, or the person who is inevitably going to be required to pay something, the only question being how much, so that he retains the use of that money and the suffering plaintiff doesn't get it. Delay is our greatest single enemy, and it was well said "that justice delayed is justice denied." The question is, how do we avoid delay?

We cannot do it by simply cranking up the machine to new efficiency. It was John Diefenbaker who said, "Assemly line justice is a contradiction of terms." Normally we don't quote lawyers until they are dead, but if we don't quote John soon there won't be any of us left alive to quote him. Furthermore, he has finally ascended to that great plateau of dignity and serenity that heretofore we had reserved for the likes of Bernard Baruch, Socrates and Casey Stengel.

Mr. Diefenbaker is correct. It is no solution to talk about speeding up trials and shortening the legal process. There are many areas where we can do something, but *that* is not one of them.

Something which has to happen is that the hyperactive legislatures must somehow slow down and refine their product. It is inconceivable that we can go on hearing fights about the meaning of statutes when every day a new one comes out somewhere which causes someone to sue somebody and put the interpretation at issue. There are sections of one famous federal statute which are making half of our audience rich, which cannot be interpreted be experts. The man who wrote it disowns it, but it goes on. We saw one not very long ago which had to be withdrawn, mainly because of these difficulties. Legislation now seems to be the yardstick by which the "success" of a government is measured. You can claim success by measuring your statutes by the mile, by the pound or by the page, but nobody seems to measure by the content.

My first suggestion is that we should not pass statutes we don't need, and when we need one we put it in plain English. I should say as a footnote to that that Allan Leal doesn't write them!

Secondly, and here the courts are to blame, we have a flood of judgments which are too long, too involved. Sometimes they come out multi-barrelled. When four or five judges are sitting, three will feel impelled to write reasons. That burdens the law profession, which is the translation device between the court and the public. How can the law profession advise the community in the future when the courts persist in writing long, involved, unnecessarily complicated judgments showering the profession with concurrent explanations of the same result.

Where a principle is at stake, there has to be a divergence of views, and progress does not come from suppression of those divergencies. However, we can stultify progress by glutting it with law, either legislatively made or made in the courts.

Thirdly, we should simplify and we are simplifying the rules under which the courts operate. In Ontario, the government has already appointed the Williston Commission, and we have the benefit already of trial-balloon rule changes which the law profession and the courts are working on. That is a move in the right direction. The same can be said of the rules of evidence. There I don't think the legislature is to blame. Some courts have created work for themselves. The difficulties with the rules of evidence have, I think, been realized in the courts in the past ten years, and I think there should be a great acceleration in the courts themselves in simplifying them.

I think we have now had enough experience in Legal Aid to turn our guns on the parts of the system which have been permitting, if not causing, trials to be excessively long. Sometimes it is an exercise in oversensitivity of conscience; sometimes it is lack of experience; but sometimes regrettably, it is people who would not be able to do for a private litigant that which they do for Legal Aid, which has been described as a "deaf, dumb and blind client."

Legal Aid must be retuned. The institution is tremendous. No thinking person in our community advocates its abolition, but it does have a by-product effect which is serious. It is beginning to deny access to the courts because it itself is clogging the courts. Perhaps the administrators of the system could consider putting a cap on the amount of underwriting a case will be given. In effect, that is what happens in private, unassisted litigation. The client asks the price before he starts, and in almost every other walk of life that is the way services are bought and sold. There is no invasion of the sanctified right of a free and full defence when Legal Aid says to the lawyer conducting the case, "You will perform these services as though you were acting for an ordinary client."

The next proposal that I would like to put before the community and in particular its elected representatives is that we break off from the old Anglo-Saxon/Continental tradition that every time we find a new problem we form a new court to handle it. Sometimes that is justified. We see the Government of Ontario today forming a unified Family Court to combine the functions of family law into one forum. That is commendable. But the courts of the country, like the universe itself, go through an expanding cycle followed by a collapse cycle. England is now in a collapse cycle. We are in an expanding cycle — we are creating tribunals right, left and all over the place — arbitration tribunals, the new family law tribunal, divisional court. It goes on and on. When England was in an expanding cycle, they created a court of "Probate, Divorce and Admiralty". That soon became known as the "Court of Wills, Wives and Wrecks". When England went into the collapse cycle, that court fell back into the Supreme Court adjudicature. Ten years from now, we'll be doing that.

In the meantime, we have 3.9 million cases pumped into the provincial courts. Our solution in North America has always been more and bigger, therefore good and right. Perhaps the day has come, brought upon us by OPEC if nothing else, when we must stop proliferating the state apparatus to resolve disputes in the community. Therefore I suggest that we turn the clock back and take a look at the origins of the common law and the Royal Courts of Justice which were in the jury system, and at neighbourhood courts (the Red Chinese call them "people's courts") where people hear by-law offences, things of minor importance on the large scale but very important on the neighbourhood scale. We should deformalise our tribunals, starting at the lower levels.

Parallel with that, I suggest that the legislators consider reducing the spectrum of crime, so that we do not engage ourselves in lengthy, repetitive trials, the conduct of which affects nobody but the accused, and that we modify our reflex in punishment so that we incarcerate fewer and punish by community service rather than by jail sentences, which will have the effect that it has had in other countries of encouraging people who are guilty to take their medicine now instead of after a long and pointless and usually legal-aided defence, followed by a long and pointless and expensive legal-aided appeal.

As a third cousin to that, we should do something to discourage the old pioneering concept that everybody, however mean his claim, has the right to have his case ultimately decided in the Supreme Court of Canada. We can no longer afford that. The Supreme Court has said so. That's now the law of the land at that level. We have to cut back all the way down.

Let us not forget that an appeal is the weapon of the wealthier of the two litigants; the appeal is the weapon of the person who is not hurt by delay. A multiplicity of appeals demeans the lowest courts, and demeans the administrative tribunals who are appointed for their expertise when their results are held up by a succession of endless appeals.

There is no inherent virtue from on high in the right of appeal. It becomes a questionable weapon after the first absolute right of appeal. I suggest that we protect the ability of the Court of Appeal of this province to resolve serious disputes by somehow curtailing the proliferation of the right to appeal, so as to keep the door of the Court of Appeal open to those cases which require it.

There are other suggestions of a more technical nature that I will not refer to, but I point out that the suggestions which I have made are largely founded on a single, simple theme, and that is that the strength of the Anglo-American jurisprudential system has been and will continue to be the involvement in that system of people from the community. The jury system is the backbone of the Anglo-Saxon common law heritage. Therefore, in the challenge which we find ourselves now facing, we should turn back to first principles, involve the public more, resolve more of our differences at the lower level by the more economical expediency of arbitration, mediation, conciliation, neighbourhood courts, and save the expensive tribunals (housed expensively, staffed expensively and fueled by the law profession necessarily expensively) for those causes, crimes, actions and rights which must be so treated.

Finally, two things are required in these circumstances. The first, that those working in and those working with the judicial system will have to adopt new procedures and new approaches to increase the capacity of the courts without proliferating the size and number of courts, and without — and I emphasize this — in any way impairing the quality of justice dispensed by those courts in the Ontario community. Secondly, that those working in the government of the community at all three levels will now find it necessary to examine the capital requirements to bring the capacity of the court system up to the community demand, and that demand will increase, even if we adopt all these measures of efficiency which I have advocated. It might be added, in articulation of these two principles, that both groups of people to whom the first two have been addressed must combine to ensure that access to the courts is not so abused as to defeat the right of others to their day in court. At the same time, we must also open our minds to new ideas and forms which we have not heretofore tried because we have not been forced to do so.

There is nothing final in the growth of the law. It is not a physical science. We will continue to progress, but we will do so only if we adapt the basic court system which we have to future needs, and if we ensure a progressive attitude in the lawmakers, both legislative and judicial.

Finally, I eschew the idea that there is a panacea easily attainable and without any cost. That is impossible. We can only process more rights, more defences, if we have more soldiers, if we have them properly equipped. All of that takes money, both public and private.

And so I come back to the statistics with which I started, and which I reviewed all too briefly with you, but which I have studied myself, and so I can say with confidence that I will see you all in court!

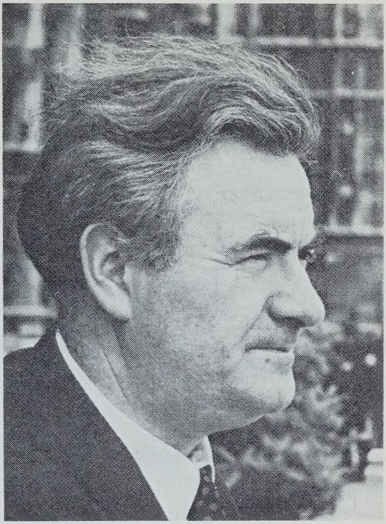
The appreciation of the audience was expressed by Mr. H. Allan Leal, Q.C., LL.M., LL.D., Immediate Past President of The Empire Club of Canada.

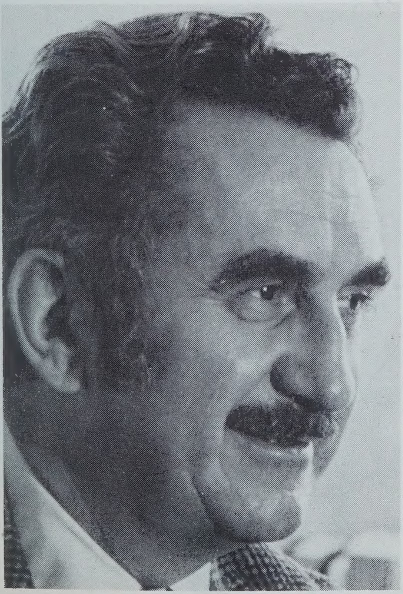
September 14, 1976
William M. Karn, President of The Empire Club of Canada, with the Rt. Hon. James Callaghan, P.C., M.P., and Mrs. Callaghan.
"Britain Today"

September 14, 1976
Top: Premier William Davis makes a presentation to the Rt. Hon. James Callaghan.

Bottom: Mrs. Vladan Milik (left), and Mrs. William Karn (right) admire the Trillium brooch presented to Mrs. Callaghan by Premier William Davis.

October 7, 1976
DONALD STEWART, M.P.
Parliamentary House
Leader, The Scottish
National Party
"The Current Scottish Situation"

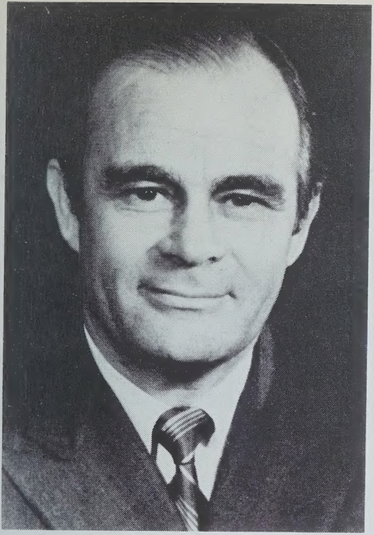




October 14, 1976
THE HONOURABLE
JEAN-LUC PEPIN
Chairman, Anti-Inflation
Board
"Canada and the Anti-Inflation Program — One Year Later"

October 21, 1976
THE HONOURABLE
IONA CAMPAGNOLO
Minister of State
(Fitness and Sport) to the
Minister of National Health
and Welfare
*"Beyond the Looking Glass —
Canada After Controls"*

October 28, 1976
THE HONOURABLE
ARTHUR MEEN
Minister of Revenue,
Government of Ontario
*"The Philosophy of
Assessment"*



November 4, 1976
RODERIQUE J. BILODEAU
President, Canadian
Manufacturers'
Association
"Let's Get Back to People"

EMPIRE CL
THE EMPIRE CLUB OF CANADA
CANADA

November 11, 1976
REAR ADMIRAL GODFREY PLACE, V.C., C.B., D.S.C., R.N.
"Sea Power in the 20th Century"

EMPIRE CLUB
CANADA
EMPIRE CLUB
CANADA

November 18, 1976
RON COLLISTER
Political Broadcaster and Columnist
"Between Friends — Maintaining Confidence Canada/U.S.A. Style"

November 24, 1976
GENERAL J. A. DEXTRAZ
C.B.E., C.M.M., D.S.O., C.D
Chief of the Defence Staff, The Canadian Armed Forces
"Armed Forces and Détente in Perspective"

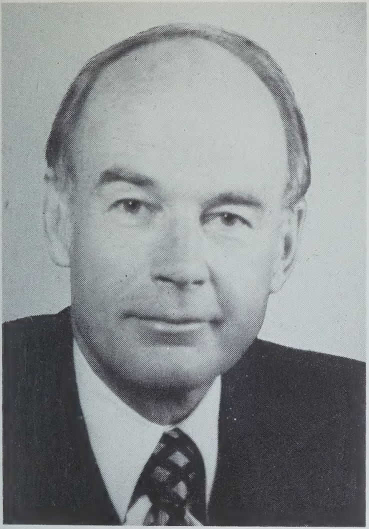
December 2, 1976
THE HONOURABLE
JAMES RICHARDSON, P.C., M.P.
Member of Parliament
for Winnipeg South
*"Our Constitution —
Shaping Canada's Future"*

EMPIRE CLU
CANA
EMPIRE CLUB

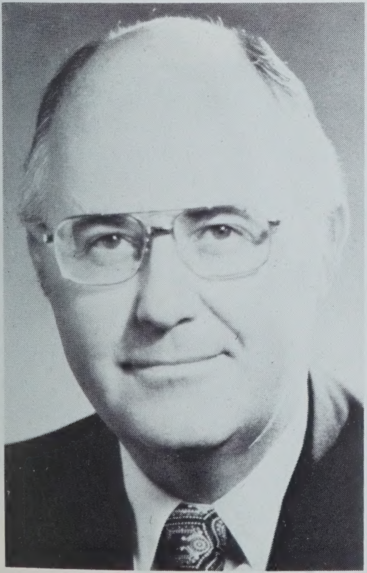
December 9, 1976
THE HONOURABLE FRANK D. MOORES, M.H.A., LL.D.
Premier of Newfoundland
*"Canada's Political and Economic Problems
as Seen by Premier Frank Moores of Newfoundland"*

December 16, 1976
THE CHRISTMAS LUNCHEON
Left to right: Lt. Col. Frank F. McEachren, the Honourable Pauline McGibbon, Lieutenant Governor of Ontario, Mrs. William M. Karn, Mr. D. W. McGibbon, Mr. W. M. Karn.

December 16, 1976
THE CHRISTMAS LUNCHEON
The Havergal College Choir

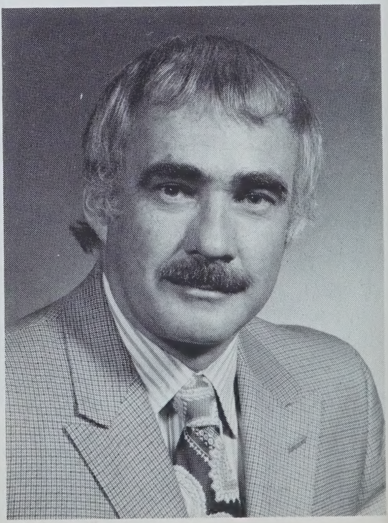


January 6, 1977
ROWLAND C. FRAZEE, ESQ.
Executive Vice-President,
The Royal Bank of Canada,
and President, Canadian
Bankers' Association
*"Banking in Canada —
The Next Ten Years"*

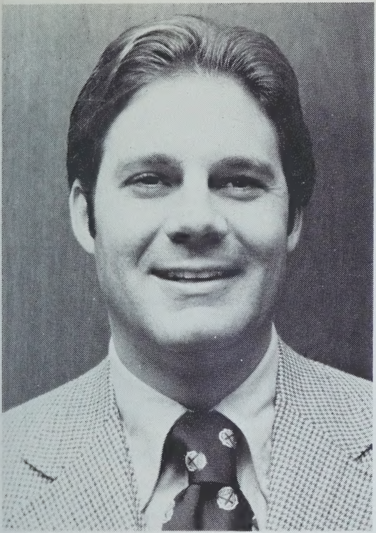


January 13, 1977
JOHN D. ALLAN, ESQ.
President, The Steel
Company of Canada, Ltd.
*"Keys to Canada's
Future"*

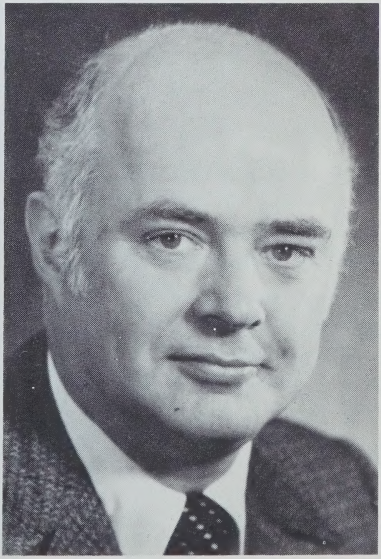
January 20, 1977
THE HON. CHIEF JUSTICE
W. Z. ESTEY
Chief Justice of
Ontario
"The Ontario Tax Payer's Stake in our Judicial System"



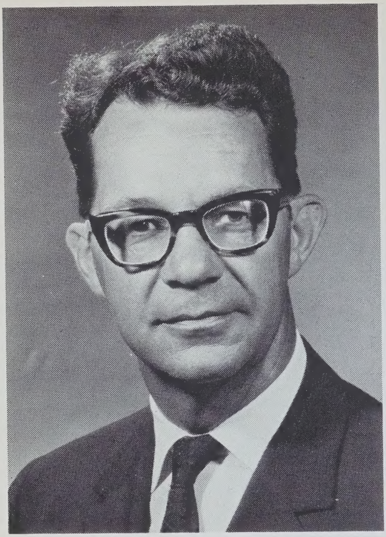
January 27, 1977
S. ROBERT BLAIR, B.SC.
President and Chief
Executive Officer,
Alberta Gas Trunk Line
Co. Ltd.
"The More Exciting Canada"



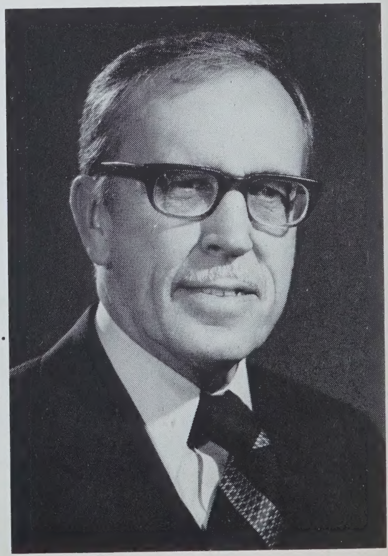
February 3, 1977
PETER BAVASI, B.A.
Executive Vice-President
and General Manager,
Metro Baseball Ltd.
"Toronto — Major League
Baseball for a
Major League City"



February 10, 1977
DR. ROBERT A. BANDEEN
President and Chief
Executive Officer,
Canadian National
"The Ways and the Means"



February 17, 1977
C. JOHN SMALL, B.SC.A., B.
Former Ambassador
for Canada
to the People's Republic
of China
"China Today"



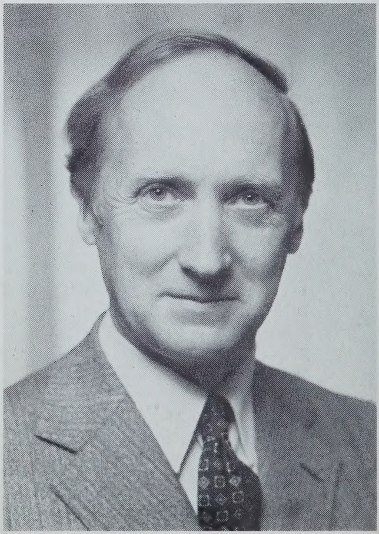
February 24, 1977
THOMAS G. BOLTON, ESQ.
President,
Dominion Stores Limited
*"The Food Industry and
the System"*

March 3, 1977
DENNIS MCDERMOTT, ESQ.
U.A.W. International Vice-President and Director for Canada
"Canada's Adversary System — Is There an Alternative?"

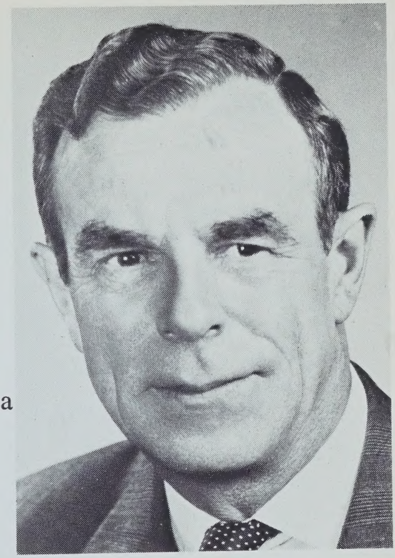
March 10, 1977
HIS EXCELLENCY
BRUCE RANKIN, B.COM.
Ambassador for Canada to Japan
"Japan — Neither the Sword nor the Chrysanthemum"

EMPIRE CLUB
DA
THE EMPIRE CLUB OF CANADA

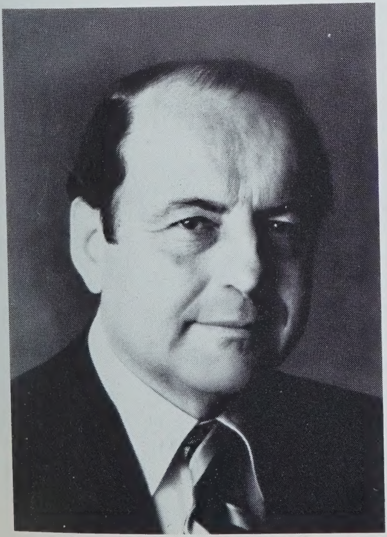
March 17, 1977
The Honourable
Jacques Parizeau, M.L.A.
Minister of Finance and
Minister of Revenue,
Province of Quebec
"Four Months Later"



March 24, 1977
Peter B. Baxendell, C.B.E.
A Managing Director of the
Royal Dutch/Shell Group
of Companies
"North Sea Oil"

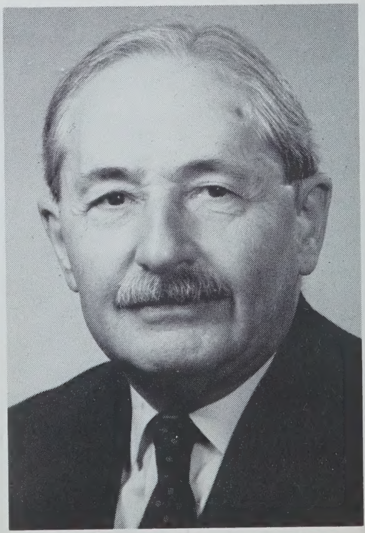


March 31, 1977
His Excellency
J. H. Warren, B.A.
Ambassador for Canada to
the United States of America
"Reflections from
Washington"



April 14, 1977
Sinclair Stevens, Q.C., M.P.
Progressive Conservative
Finance Spokesman
"Window on Tomorrow"

April 21, 1977
THE HONOURABLE
WILLIAM G. DAVIS,
Q.C., LL.D.
Premier of Ontario
"Ontario and the National Dream"



SENATOR
EUGENE A. FORSEY,
O.C., PH.D., LL.D.
"Canada, Quebec and the Constitution"

JANUARY 27, 1977

The More Exciting Canada

AN ADDRESS BY S. Robert Blair, B.SC.,
PRESIDENT AND CHIEF
EXECUTIVE OFFICER,
ALBERTA GAS TRUNK LINE CO. LTD.

CHAIRMAN The President,
William M. Karn

MR. KARN:

Last autumn, when we were discussing a suitable date for our guest of honour to address our club, it was indicated by one of his eastern friends that his subject would probably be "The All Canadian Line". I then began to study the background and affiliations of Alberta Gas Trunk Line Co. Ltd., even though one of my friends who is deeply committed in the Petrosar complex at Sarnia interpreted this topic to mean the Argo football line.

I learned that Alberta Gas Trunk owns and operates a natural gas gathering and transmission pipe line system in Alberta which was approximately 4,728 miles in length in 1975. The company operates as a "cost of service utility", delivering gas under long term contract to four major customers — TransCanada PipeLines, Alberta and Southern Gas, Westcoast Transmission, and Consolidated Natural Gas — which owns the gas being transported.

Alberta Gas Trunk is also one of three contenders promoting the development of a multi-billion dollar gas pipe line from the Mackenzie Delta, and along the Alaskan Highway, the cost of which is escalating as the program is delayed by factors such as Indian land claims, etc.

In 1972 the company diversified, forming Pan Alberta

Gas Ltd. to buy and sell surplus Alberta gas, and in 1973 Algas Engineering Services Ltd., and jointly with Dr. Allard's Allarco Developments Ltd., Alberta Gas Chemicals Ltd. In 1974 the company formed the Alberta Gas Ethylene Company Ltd. to construct, own and operate a 600,000 ton per year ethylene plant.

Guiding this vast operation, whose shareholders are 37,000 Canadians, is its President and Chief Executive Officer, Mr. S. Robert Blair, B.Sc.

Now many of you can appreciate that the interests of industry and government do not always follow parallel courses. While there is much to commend co-operation between industry and government in various provinces where there is usually a sympathetic understanding, regional differences are inevitable, and the resolution of these problems at the national level may present difficulties.

It was therefore not surprising that our guest of honour, who is our first speaker from Alberta this year, should wish to analyze some of the regional issues and present to us his views as to how we might improve the mortar which binds our disparate political, geographical, and economic regions of Canada into a prosperous, united, exciting whole.

Mr. Blair, a chemical engineering graduate in 1951 from Queen's University, of which he is a trustee, is a director if not president also of all affiliates of Alberta Gas Trunk Line Company Limited, including Foothills Pipe Lines Ltd., a director of the Bank of Montreal, Burns Foods Limited, Canadian Enterprise Development Corporation Limited, Canron Limited, the Economic Council of Canada, and the Canadian Institute of International Affairs. Certainly he is in a position to be aware of provincial, national, and international issues. With all of these responsibilities, we can well appreciate his fondness for ranching and farming which he calls his recreation.

Back on August 22nd, 1935, the Very Rev. Dr. H. C. Hewlett Johnson, the so-called "Red Dean" of Canterbury, cabled in part to William Aberhart, when his Social Credit party swept into power in Alberta: "Alberta will kindle a world-wide torch". Well, even though his prophesy has not been fulfilled politically, we in Canada and the United States are most grateful that Alberta's gas and oil continue to provide a light unto our path economically, as well as fuel for our hearth, and feedstocks for an expanding petrochemical industry.

It is with great pleasure that I now invite Mr. S. Robert Blair, President and Chief Executive Officer of Alberta Gas Trunk Line Company Limited to speak. He speaks to us as an individual Canadian, not on behalf of the many corporations of which he is a board member. His topic is "The More Exciting Canada".

MR. BLAIR:

The appointment to have this privilege of speaking was first requested in the early fall of 1976. It gives me great pleasure to be with you today. Et maintenant, le sujet de mon discours est "Un Canada Plus Excitant". I do wish to speak very frankly on matters with which there will be some agreement and some disagreement.

Our teenage wit in Kingston in the late 1940s used the expression "Excited States of America". It was as current as post-war university classes with more children back in their rented rooms than the student number. The expression distinguished nicely between the known order and stability of the Ottawa Valley area from the confusion in them "States".

One does remember the French-Canadian pride back then. I remember it personally as part and parcel with Scotch/Irish prides, with the carry-over of the pre-war unemployeds' grumbles, the longer-standing Westerners' and Maritimers' rumbles plus the new protest of the D.V.A. veterans trying to make university on fees plus $60 a month. The natives in Canada were not saying very much except through the occasional expletive from an "improved Scotch" or a Métis dissident. Beneath our gentle rulers in

Ottawa and Toronto we were a cheerful aggregate of minorities, all ready for that time destined to be for Canada's "greatness", the second half of the twentieth century, all on the high road to prosperity but for us with good order, most unlike the Excited States.

That began to turn out true enough in the 1950s and 1960s as Canada progressed, while activity in or for the United States kept its whole world neighbourhood indignant at its aggressions, compassionate of its tragedies, and in business always impressed by the fantastic capacity of its private sectors to introduce production and resilience when commercial adjustment was needed. We were able to work along in the quieter Canadian style, building up our populations. Unfortunately, in hindsight and with the new choices we have now, we sold off rather too much of our manufacturing ownership and some of our resource ownership. But it was a good canoe journey down the river, with only the odd directional paddle stroke. We did become among world leaders in some capacities, in the production of superb practitioners in the professions, respected and careful civil servants arranging increasing government, reasoning academics, the usual Canadian hardy rural types, and inside this mosaic some of the more able and also some of the most colonial-thinking company managements in any nation.

As the population grew, industry became concentrated in the golden triangle, or between Sarnia and Montreal east. The raw materials and cheaper labour flowed in from the hinterlands (meaning all Canada west of North Bay or east of Sorel). The products were finished in that industrial zone and shipped back to the hinterlands, values added, or exported in company with the surplus raw resources. Head offices of our Canadian businesses became concentrated in the 50's and 60's in Toronto and Montreal, and also increased in New York and other northern states, and later in the petroleum industry, in Houston and Tulsa. Meanwhile, the important immigration of Hungarians in the later '50s and of Italians into Ontario in the '60s also happened. But the Anglo *status quo* reigned on for virtually all national business in Canada.

We were all part of that and I guess just about all of us contributed to it.

Now, in the middle 1970s, we are finding our canoe is into the rapids. It looks like time for steering strongly or Canada may even come apart. This bothers me greatly because I am not first a western Canadian, but first a citizen of a nation which includes western Canada and Ontario and Quebec.

We now live, for better or worse, in our own unique zone of excitement. It has become our turn to furnish anxiety and speculation to whatever parts of the world are concerned with our behaviour. We could even give the usually Excited States (now so suddenly settled) a major diversion of looking up in *our* direction to see what *we* do next, an interesting turnabout.

This new exciting Canada quite likely contains much opportunity to arrange a more interesting and deserving place to live. It may also really expose our underbelly. It is not a time to accept high-handed posture between regions nor to telegraph any confusion about the management and integrity of our component provinces. It is certainly not a time to jeer or ridicule each other's ambitions.

It is especially not a time for vicious bumper-sticker type phrases. I mention this because I was told in Toronto last week that there is joking here about a new series of anti-French bumper stickers in Alberta, so vicious that they may seem almost funny. I hope the stories are not true. I looked around in Alberta the last few days and the only one I saw said, "Let's get it together."

But if any weird minds do produce a viciously anti-French motto in Ontario or Alberta, let's just equate that to hate letters which come from isolated cranks and not add any stature by building an image of prairie redneck or reactionary. It doesn't fit. We have already paid enough for that "freeze in the dark" epigram, never created by Canadians, never popular in Alberta, but nurtured in the east with some prompting and turned by joking into a kind of backfire, during a strained period. In the far sharper strain which exists between many French and Anglo-Canadians now, let's drop everything supercilious and talk very carefully.

It would be much better to give *less* attention to some scattered jeers in the Toronto hockey arena against Team Canada announcements in French and to give much *more* attention to the concerted applause of the crowd at the November Toronto Grey Cup Game to the pre-game "O Canada" sung mainly in French. I wish that positive football event had been as widely and enthusiastically reported as was the negative hockey event. How long can we play around with these deeply emotional things? We must discard our disgusting trait of public cynicism and hyphenated Canadian racist arrogance. We know at the roots that the public of this nation are no longer colonials of Britain, or France, or the United States. We are our own country surely.

Among all countries, Canada remains distinctive for its high concentration of minerals and lands and fresh water, still rather sparsely used. There will be plenty of powers watching what we do with speculation about where we can be made more dependent. There could easily be a licking of chops over a Canada temporarily unsure of its coherence and resolve. And to be "saved" by the United States under pressure is no happy answer.

So, let's see this as a time to review our own problems and make the changes as authors of our own version for mastership of our home territory. It will mean doing everything that it takes to persuade French-Canadians to hold it together with the rest of us, showing compassion as equals must. It is possible also that in the early expression of *maître chez nous* in the early '70s those Quebecers were correct who said to us, "Just listen a little and we may show you the way to being really Canadian."

Premier Lévesque in New York the night before last defined an intention for French Canada that to me represents an absolute extreme among future courses. I hope greatly that we do not proceed to that extreme. However I do suppose that under present conditions of commerce in Quebec, if there were forced a single selection between continuation of the approximate *status quo* as one choice and that extreme as the other choice, a large portion of persons in Quebec would be ready to try for even the extreme he has described. I come to that supposition on the basis of what I hear and from guessing the direction of my own feelings if I were presently a French-Canadian living in Quebec.

Therefore I hope that Anglo-Canada will not now react in terms of any indignant insistence that everything is all right as is, take it or leave it. That way I believe we would lose this nation.

However I also suppose, much more hopefully, that if there are other arrangements for substantial change within Canada to secure many of the aspirations of those who nationally are minorities but regionally are the prevalent populations, then everyone including nearly all French-Canadians can become satisfied and keep it together.

Personally, I think that the necessary adjustments are more a matter of change in the direction and management and ownership of industry and business within Canada, which would also have profound cultural and social consequences, than a matter of constitutional reform or repatriation.

I propose that we must start paying the price of bluntness, and I, for one, am doing this purposely in Toronto because I fear that it will be in the highly populated areas of Canada, such as southern Ontario, that much of the largest adjustment will have to be made.

Should the business sector be heard from when Canada comes into one of the most serious strains in its history? Of course, but who is prepared to speak, and how? Half of our major "businesses" in Canada, including several of the largest, are not autonomous enterprises that as companies can develop independent recommendations for a political subject. Many are hardly even complete companies, but are more like sales agencies and/or production divisions and while they know a great deal about their capacity to provide employment and to supply consumption, we cannot possibly defer to them to tell Canada what it must do to hold its coherence on broader and more important matters.

When a company must refer each investment decision to a home office decision process remote from Canada, even though there may be a degree of local authority, it is hardly right for the rest of us to approach those companies to take responsibility for the determination of Canadian destiny. As individuals, some of the best people are in those organizations and will speak as individuals, but the private sector I think must look elsewhere for leadership on the political matters that we are discussing. I think we have to recognize that we have this limitation in much of what we call our business sector leadership, and that makes the job the more important for the rest.

What is before us now is greatly more important than employment optimizing or preservation of existing jobs or markets or consumption patterns. Of course, those material objectives won't disappear from consideration, but now and then in worthwhile countries they must become subordinate to political and cultural objectives and I think that is where we are now. We should not be overly respectful of manoeuvres to hold traditional industry positions or to rake additional ten per cents off the weaker elements. We must attend to keeping this act of Canada's together and on the road.

There just has to be a voice from business in Canada, and necessarily from the businesses and professions that have a complete and autonomous base and have their destinies committed in this country, concerned with raising capital here and making new investments here year by year, whose management will win or lose according to the fortunes of Canada. If such companies and individuals don't start saying something, we are going to lose this country.

Of course, having set the scene that way, I confess that I am employed by a company of that kind, one which I believe in 1976 raised at least as much equity capital from Canadians and committed to as much new investment in Canada as did almost any other company in the country. I mean a company which raised more equity capital and started greater capital projects in Canada in 1976 than any one of the biggest oil companies, including Imperial Oil, or the biggest manufacturers, including Ford Canada, except only, I guess, the Baie St. James Development Corporation and Bell Canada. To be sure, 1976 was a relatively large year for us, but not exceptional among some companies of our sort, and this does illustrate the growing infranchisement of a number of Canadian businesses. Some companies are still laying their shareholders' capital straight on the line, to go with Canada win or lose.

The voices of all such Canadian organizations are needed because we cannot fairly ask any one person to provide the individual leadership to save this nation. The will needs to come broadly, from all across Canada, business as well as government. Many of us need to do some fast and hard listening to others who we have been brushing off as impractical.

To start with, how about that publication "Un gouvernement du Parti Québécois s'engage . . ." dated May, 1973. We have had it available for some years now. There is also an Anglo version, called "Summary of the Programme and the Statutes of the Parti Québécois", of which the text is substantially different from the original. The English text is apparently designed to reassure prospective future minorities in a new Quebec nation. The French version is more comprehensive. It claims all of Labrador, coastal islands and unlisted Arctic lands and islands for a new sovereign nation of Quebec. I do not endorse such a program. It asks far too much. However, that French statement does make some really good points about business and commerce. Many of the points are easily recognizable to an Albertan or to an Ontario resident. They deserve not only awareness now, but also fast action.

I do not know, of course, whether our French-Canadian minority, about one-quarter of the population of Canada, will give popular support to the extremes of transfer of authority to Quebec, as manifestoed some years ago by the Parti which has come to provide the government of that one province. I think that the proposition of a greatly autonomous enclave within portions of the present Quebec and contiguous territory, totally French in all measurable characteristics and equipped to communicate internationally as well as laterally across Canada, does not scare me to death if that is what those other Canadians really desire in their own hearts.

However, a total appropriation by the majority of the 80% French in Quebec of all lands and waterways and other routes across or within the present boundaries of that province and adjacent lands, seems to me as wrong as if Canada were to use its 80% majority nation-wide to suddenly turn all of Canada into a totally Anglo enclave. So I categorically could not support the present program of the Parti Québécois. However I would far prefer that our side of this immensely important discussion show enough openness and readiness to concede and act on major shifts from centralized or foreign business authority into Quebec authority *within* but not outside of Canada.

While we're on that subject, some transfer of authority, from centralized to regional, is in exactly the right direction to draw the prairie provinces back on side. One of the peculiarities of the times is that aside from language, a western province like Alberta has got as much or more common economic interest with the province of Quebec at this stage than it has with southern Ontario. That appears to be so in respect of the general relationship of we ex-hinterlanders with some of the tariff-protected and subsidized industries based between Sarnia and Montreal. It appears to be so also in that the supply of commodities which Quebec will need from other parts of Canada for its future prosperity as it builds up its own steel and equipment manufacture industries, happen to be commodities produced in the west — beef, grains and hydrocarbons. What Alberta needs next is sustained markets for processed agricultural production and new domestic and export market opportunities for its new industry, petrochemicals, which Quebec could help us with one way or the other.

Finally, if this has become the season to start listening to French-Canada and to the west, it would be a great time to work with openness to that other minority, the native people, who make a lesser proportion of our population, about 4% of Canada and 6% in the west but who, within their numbers, provide clearly the majority of the permanent resident inhabitation of something like the northern two-thirds of the territory we identify as Canada.

That nationwide minority group is receiving grudging and slow attention or support from business in Canada in establishing their employment, business, political and land-use rights. However, like other minorities, they are becoming better equipped to apply their forces and more confident every month. They have great potential to force for a fairer position in due course, as they organize. I am told that the native vote could carry directly 7 to 15 constituencies in the provincial legislatures of each of Manitoba, Saskatchewan, Alberta and British Columbia on issues important to their security. Maybe more clearly than we saw the Parti Québécois issues in advance, we could perceive now the desirability of meeting the native aspirations midway, to build a better and more secure and exciting future Canada on that basis.

Of this, I am already sure. Ours is not a nation to run over its race or cultural minorities, not in the Mackenzie Valley or anywhere. The people won't stand for it. This is the right aspect of Canada, in pipelines or otherwise.

There are no regional sheikdoms of concentrated wealth within Canada. Every region has heavy responsibilities and costs and economic problems coupled with its eras of higher revenues and production. The province of Ontario has had its period of gold mines and enjoys its big industrial concentrations and also has handled the tough commercial times of northeastern Ontario. Alberta has had oil, has still got some, and has plenty of natural gas, but has experienced industrial employment declining viz-à-viz Canada as a whole and has large regions of low-income settlement. British Columbia is up and down, for all of its forest and geographical natural advantages. There is no province in this nation that can afford to do anything other than recruit the help of the others for support of its key commercial objectives, as it may decide them.

The world into which we must trade is organizing more and more effectively to extend the self-interest of its units and we are overdue I feel in doing that for ourselves. The Economic Council of Canada's trade manifesto of 1974, "Looking Outwards", into which both the labour leadership and the French-Canadian community of industry and finance added their authorship most effectively and which they co-signed, urged a new and freer approach to trade but has drawn little more than self-protective snaps of alarm from scattered components of tariff-shielded industry in central Canada. The centralist *status quo* has sailed on without a flicker of adjustment that I have been able to notice, while the very broadly-representative Economic Council emphasized its alarm about what we are starting to face now in international trade.

The adjustment of our structures to achieve future exports will have to depend on regional specialization and vigour to develop strong industrial corporate provincial teams, concentrating more on export than on the protection of present industrial employment within the one zone in central Canada.

Maybe with this will follow more vigorous product development, processing and research led by more and more truly autonomous companies seeking the maximum upgrade and replacing some of the branch plant attitudes, for Canadian advantage. In the long run, the thinking behind F.I.R.A. has been in the right direction, and so is that behind Petro-Can.

This shift in economy and commerce can be made at the same time and in the same direction as the regional shifts I was suggesting earlier. It may be fairer for Quebec's people too.

For many years I have heard the theme that the citizens of Quebec have enjoyed a history of handouts from the rest of the country in federal-provincial transfer payments and with special federal expenditures toward, for example, Expo and the Olympics. However unlike most persons from the west I have also had the opportunity to know and listen to some people who have both the French-Canadian point of view and well-rounded experience. From them I have heard that considering Quebec's role of furnishing the major market for finished goods from Ontario it is entirely arguable that it has taken no more out of Confederation than it has put in economically. As an individual I have listened to both sides and felt the arguments were about equal. This audience may or may not agree, but that doesn't matter much now because as much as the west and Toronto may feel that Quebec has had the better deal, Quebec feels that it has not.

Also, if there is indeed within Canada an adjustment to greater regional self-determination for trade, we know well enough that population shifts will follow. The concentrated industrial force drew the entire increment of natural population growth out of Saskatchewan from the 1931 census through the 1971 census. It held Alberta very close to only the natural growth of the existing population through 1961, and only moderate gains since. It reduced Manitoba and every one of the Maritime provinces to trends about midway between the Saskatchewan and Alberta trends. That same factor of concentrated higher wage employment in central Canada flushed Ontario's population growth in the very same years to 100% more than the rate of natural growth and Quebec's to about 20% more than that rate.

That process does not have to go on for the good of Canada. It could be halted. It could even be reversed for a period without more trauma than Saskatchewan has known, and that province is indeed still very much in Confederation.

While mentioning that one province let me go back and make another point very clear, the most important point of this address. Much of this has been about commercial business and a need to be open in considering re-arrangements. Please don't take any word from me about a western region stronger and more autonomous in trade as being in the slightest western "separatist" or non-nationalistic. As far as citizens for Canada feel, over and above everything and ready to fight for this country and pay the price, my modest opinion sample puts Saskatchewan and Manitoba and Alberta people right up with anyone in the country. Those people won't mind paying the price for a united Canada, they've had lots of practice in that already, and it just seems to make them "stick with it" all the more. Don't give a thought to "western separation" politically. It is absolutely a non-starter. Do give a thought to a better balanced Canada regionally, to answering the French component, to answering labour, and to anticipating the natives' assertions. There will also be required a much more open voice and the ability to listen and adjust from our business sector, I hope very dearly.

In the end, what this country needs is not perfect job continuity in the branch plants nor more economic determination from foreign places. It has no room at all for talk of fratricide, but does have room for a nationalist drive big enough to get us all on the same side. I think it could be one of the forces already occurring — in the last decade it has been showing up within the government of Canada. Maybe the Quebec search to be *maître chez nous* can indeed help show us the way to a sufficient Canadian nationalism now. Some of us westerners are ready to go for that.

The appreciation of the audience was expressed by Mr. R. Bredin Stapells, Q.C., a Past President of The Empire Club of Canada, and a Benefactor of the Empire Club Foundation.

FEBRUARY 3, 1977

Toronto—Major League Baseball for a Major League City

AN ADDRESS BY Peter Bavasi, B.A.,
EXECUTIVE VICE-PRESIDENT AND
GENERAL MANAGER,
METRO BASEBALL LTD.

CHAIRMAN The President,
William M. Karn

MR. KARN:

Mr. Chairman of Metropolitan Toronto, Reverend Sir, distinguished guests, ladies and gentlemen: April 7th, 1977 will usher into our fair city a new era in ornithology. Metro bird watchers in their thousands have already subscribed for advantageous season perches in the enlarged C.N.E. sanctuary, which will hopefully be swept clear of snow by that date, to welcome the Toronto Bluejays as they migrate from sunny Dunedin in Florida, chattering and scolding all the way, to carry Toronto — a major league city — forward into major league baseball.

It is recorded that the original Audubon Society, named after the great naturalist, John James Audubon, was founded in New York City, in February, 1886, for the purpose of protecting American birds from destruction in commercial ventures. At that time, indiscriminate slaughter was threatening many species with extinction. Because of this commendable effort, much "shooting" of birds now is done with camera instead of with gun. And we are confident that hospitable Toronto will shoot miles of film recording the exploits of our Bluejays, as they settle in, flex their wings and begin winning — just one game at a time, as team manager Roy Hartsfield has predicted.

Administering this major undertaking is our guest of honour today. Born in Bronxville, N.Y. 34 years ago, the man selected for this responsibility had the good fortune to choose a father who became manager of the Dodger farm club, the Montreal Royals, when he himself was only five years old. I wonder what story he told his teachers to explain his absence from school on opening days each season?

Just to show Mr. Bavasi where the heart of The Empire Club of Canada lies, we have left open Thursday, April 7th in our schedule of weekly meetings, so that every grandfather, father, son, and grandson may gather with the municipal leaders, a few politicians, and thousands of supporters to launch *our team* at the C.N.E. Stadium.

Our speaker today, after graduating from St. Francis High School in Pasadena and then St. Mary's College in Moroga, California in 1964 with a B.A. in philosophy, immediately became business manager of the Albuquerque Dodgers in Texas. Three years later he was named their General Manager, after one season away acting as General Manager of their Santa Barbara Club. He was 27 when he joined his father as director of the Padres' National League operations in San Diego. Four years later he moved up to Padre Vice-President and General Manager.

Peter was therefore made to measure for the task of calling the shots in an expansion club, and we are fortunate that he has accepted that challenge to make baseball history in Toronto. Never before have a father and son operated two major league clubs at the same time.

Ladies and gentlemen, I am delighted to invite Mr. Peter Bavasi, Executive Vice-President and General Manager, Metro Baseball Ltd., to speak to you on the subject: "Toronto — Major League Baseball for a Major League City".

MR. BAVASI:

Mr. Chairman, ladies and gentlemen: Thank you for this opportunity to address the Empire Club today. It is indeed an honour for an expansion baseball club to tell its story before such a prestigious gathering.

Major league baseball will be new to Toronto in 1977, but this community has a long history of involvement with professional baseball. In 1885, Toronto entered organized ball as a member of the Eastern League, later to be called the International League. Two years later, the Toronto club won the International League Championship. We would be delighted if history could repeat itself in that respect for the Blue Jays.

In 1890, the Toronto team moved from Sunlight Park to Island Stadium. Ten years later it moved back to the mainland to Diamond Park, near where the C.N. Tower is now situated. In 1910 the club moved to Hanlin Stadium on Centre Island where it played until 1926 when Maple Leaf Stadium was opened. From 1926 until 1967 the Toronto Baseball Maple Leafs prospered in that Front Street ball park where baseball heroes were made and baseball memories established.

The Baseball Leafs had a storied history. They won twelve pennants and the Governor's Cup four times. The game's all-time great stars played in front of Toronto crowds, either with or against the Maple Leafs. Jackie Robinson danced off third base, driving the pitcher wild; Duke Snider leaped high against the center field fence . . . and Babe Ruth, then just a young pitcher for Providence, hit his first professional home run at Hanlin's Stadium.

Toronto has a proud baseball tradition. The old Maple Leafs were the longest continuous members of baseball's oldest minor league — 78 years. And in the 50's, Toronto was the hottest property in all of minor league baseball, reaching an attendance peak of 446,000 fans in 1952.

But around that same time the coaxial cable was introduced and television, in its infancy, was seeking a promotional vehicle which would give the new communications medium wider appeal. That vehicle was baseball, and the major leagues embarked on a telecasting format which signaled doom for high attendance of minor league clubs in the United States.

Toronto, however, continued to prosper on the field and at the gate. But, by the middle 60's, a social phenomenon began to take shape in Toronto. The city, undergoing an unprecedented period of economic and industrial development, seemed to simply outgrow its once beloved minor league baseball club — and by 1967 the Toronto Maple Leafs, charter members of the International League, vanished from the baseball scene.

Toronto had become a major league city. As *Time Magazine* was to report (albeit some years later): "Toronto has become Hustle City, a place of entrepreneurial drive and prodigally displayed wealth, of cosmopolitan liveliness and Anglo Saxon acquisitiveness. Toronto is the true heart of the country."

It is to this environment that Major League baseball is being added, in the form of the Toronto Blue Jays of the American League. But if there is any truth to the old adage that "nothing worthwhile comes easy", it was never more evident than in the pursuit of a major league baseball team by Toronto.

It began in October 1973 when two young and sensitive politicians, Bill Davis and Paul Godfrey, speculated about the prospects of major league baseball in Toronto and agreed on the benefits, need and wisdom of expanding Exhibition Stadium to attract major league baseball.

Late in '73 and early in '74, the necessary steps were taken to commit the provincial and metro governments to a renovated and expanded stadium. Early in '74 groups of businessmen began to organize to develop presentations to attract major league baseball to the new stadium.

In the summer of '74, Labatt interest was aroused and after preliminary discussions with the Commissioner of Baseball and the Presidents of the American and National Leagues, the decision was made by Labatt's to bring major league baseball to Toronto. And the pursuit was on.

For nearly two years, Don McDougall and the Labatt's team stalked meeting rooms, ball parks, and hotel lobbies wherever the major league owners gathered, in pursuit of a franchise for Toronto.

Finally, after a frustrating on-again, off-again commitment from the San Francisco Giants and the National League, and armed with a powerful partnership that included R. Howard Webster and the Canadian Imperial Bank of Commerce, Labatt's landed an American League expansion franchise. Major league baseball had finally arrived in Toronto.

What will the Blue Jays and major league baseball mean to Toronto? After all, the community has invested nearly $18,000,000 to renovate and expand Exhibition Stadium.

Major league baseball means a new industry for the community; one that does not produce smog nor pollutes the environment (although one newspaper wag has suggested that may not be the case after the Blue Jays have lost ten straight games). Major league baseball means a new form of inexpensive family entertainment, well within the price range of every man and every man's family. And, major league baseball means new jobs. During any Blue Jay game in Toronto, some four hundred persons will be employed by the baseball club. These jobs include fifty full-time staff members and scouts, a hundred major and minor league players, and 250 part-time stadium, concession, security and maintenance personnel. Blue Jay baseball also means a significant economic impact on Toronto and the surrounding area in terms of the multiplier effect on sales and expenditures by major league baseball in our market.

The Blue Jays alone will register gross receipts in excess of $6 million this season, most of which will be returned to the Toronto economy in purchases and wages. Add to this another $2 million spent by visitors who have come to Toronto to see the Blue Jays play and by the thirteen visiting American League clubs. Also include the $1.2

million capital investment of the Exhibition Stadium concessionnaire, V.S. Services of Toronto, for renovation and equipment.

The net expenditure in the Toronto region from the Blue Jays and major league baseball in 1977 should be about $9.2 million.

Recent studies conducted in the area of baseball and its community benefit reveal that those dollars turn over approximately four times. In the case of the Blue Jays and Toronto, this multiplier effect on the city's economy could approach $40 million. And again, without a trace of smog!

A final benefit of major league baseball in Toronto is the publicity and promotional value the sport brings to the city. Newspapers, radio and television broadcasters throughout North America, indeed the world, will carry the fortunes (and misfortunes) of the Blue Jays on a daily basis during a baseball season that begins with spring training in late February and ends in October. And the word "Toronto" will most always precede the words "Blue Jays" in these reports.

In Canada alone, a nationwide television audience of over 2 million viewers will watch the Toronto Blue Jays this coming summer. And a twenty-station radio network is being formed to carry Blue Jay games throughout Ontario and the upper northeast States. In addition, via major league baseball's televised game of the week, it is anticipated that the Toronto club will be featured throughout North America on several occasions this season.

So, we will have many ways to tell the Toronto story through the Blue Jays and major league baseball this summer and in the many baseball seasons ahead.

To tell our story, and tell it well, Toronto needs a baseball club on the field, and a good one at that. But expansion teams are not known for their immediate excellence, probably because the owners of the established clubs, while happy to take our expansion fee (of $7 million) for membership in the lodge, cast off to us their lame and their aged, their "has beens" and "used to bes" — with a few "never weres" mixed in. After all, it would no doubt be a grave embarrassment should the fledgling Toronto Blue Jays beat the New York Yankees for the American League pennant in our very first year.

Very well, we will just have to abide by their wishes and act like fine wine — getting better with age. And for our Blue Jays we started with very young grapes.

Our scouting staff devoted nearly 16,000 man-hours accumulating and sorting data on the best *young* players the twelve established American League Clubs had to offer. Our commitment was to youth and at the expansion draft meeting in New York on November 5, 1976, we selected the contracts of twenty-five young players and five veterans (for stability), who combined are to carry the Toronto banner into baseball battle this season.

After the draft we confided to our assembled scouts, coaches and manager that in going with the inexperience of youth, we would have to "bite the bullet" for a while. Our field manager, Roy Hartsfield, who had suffered through twenty-six seasons of directing minor league clubs in places like Panama City, Florida and Albuquerque, New Mexico before getting his first opportunity to manage a major league club in Toronto, drawled his Georgia drawl and suggested, "We didn't bite that bullet, we swallowed the whole darn thing."

One of the keys to on-field success for the Blue Jays this first season will be their manager, Roy Hartsfield. A young club needs a man of experience and maturity as its guide and skipper. Hartsfield is that kind of field leader. At 51, he brings 34 years of baseball experience to his first major league challenge. He was an infielder with the Boston Braves and coached for the Los Angeles Dodgers and Atlanta Braves. He has a superb record as a minor league manager and led his Hawaii club to Pacific Coast League Championships in 1975 and again last season. His forte is teaching the game of baseball to young players and along with his five-man coaching staff, Roy will put that skill to use with the Blue Jays, starting late this month at the Jays' spring training camp in Dunedin, Florida.

It will be there that the Blue Jays assemble for the first time, with their major league futures ahead of them. It will be an exciting spring for all these players as they battle it out to see who comes north with the twenty-five-man opening day roster. For many of the Blue Jays it will be their first taste of life in the big leagues — charter jets to carry them 30,000 miles around North America on a gruelling 162-game schedule; first class hotel accommodations; an entourage of equipment handlers, trainers, doctors and clubhouse men attending to their every need. Heady stuff indeed for a first time major leaguer.

But the seasons will tumble by quickly and players will come and go. And before we know it, just like the Mets of 1969 and the Kansas City Royals of '76, the Toronto Blue Jays will take their place among the major league pennant winners. But, oh those years in between!

It's about to begin, the countdown has started . . . 63 days left before opening day.

Let's set the stage. It's Thursday, April 7, 1977. A cool breeze whips across Lake Ontario. Exhibition Stadium in Toronto is packed with fans; it has been sold out for weeks. The Toronto Blue Jays are locked in a scoreless tie with the Chicago White Sox in the bottom of the ninth inning. Two men out, a 3-2 count on Blue Jay shortstop Bobby Bailor, who's been hitless all day . . .

> . . . Wilbur Wood, the veteran White Sox lefthander looks in for his sign . . . the windup, the pitch . . . swung on . . . it's a long fly ball to deep left center field . . . it's going, going, gone! The Blue Jays win it, 1-0.

Major League baseball has finally come to Toronto, Ontario. Bring on those New York Yankees!

The appreciation of the audience was expressed by Mr. Philip J. Ambrose, Sheriff, County of York and Metro Toronto, and a Director of The Empire Club of Canada.

FEBRUARY 10, 1977

The Ways and the Means

AN ADDRESS BY **Dr. Robert A. Bandeen,**
PRESIDENT AND CHIEF EXECUTIVE OFFICER, CANADIAN NATIONAL

CHAIRMAN The President,
William M. Karn

MR. KARN:

Reverend Sir, distinguished guests, ladies and gentlemen: Today our speaker is perpetuating that finest of traditions of presidents of Canadian National and Canadian Pacific in honouring The Empire Club of Canada with an address when matters of unusual national significance arise regarding transportation.

I refer to the late Sir Edward Beatty who spoke to the club in 1919 and 1924, to the late Sir Henry W. Thornton in 1922 and 1929, Mr. R. C. Vaughan in 1942, and the late Donald Gordon in 1951, 1954 and 1962.

Prior to the incorporation of Canadian National Railways in 1919, the right-of-way for these eight appearances had been established by addresses on transportation by earlier Canadian statesmen — Mr. H. J. Pettypiece in 1904 on "Railway Taxations", Mr. W. F. Maclean in 1905 on "State Ownership of Railways", Mr. J. A. Ewan in 1907 on "Grade Crossings" and Mr. S. J. McLean in 1909 on "Railway Regulations".

In summary, four speakers on railways in our first five years — none for ten years — then eight addresses in forty-three years — followed by none for the past fifteen years. Lest our speaker today might think that his address is going to be the thirteenth on railroading, let me assure him that this is not so. We have another tradition in this club — that of appointing forthright nominating committees whose reputation for railroading innocent members to the position of president even surpasses in speed and efficiency that of the famous Tokaido Express.

The magnitude of CN's present operations, encompassing more than 24,000 miles of rail line and about 85,000 employees, often obscures the fact that it evolved from nearly 700 separate companies, the majority of which had operated independently under their own names. The range of activities of these companies included railways, and shipping lines, telegraph communications and express operations, elevator, warehouse, land and townsite companies. Among them was the first railway in Canada — the Champlain and St. Lawrence, which was chartered in 1832 and began operation in 1836.

Included in its visible assets today is a world famous tower reaching above Toronto — of which we are all very proud — from which its president might see on a politically clear day almost all the way to Otto Lang's office in Ottawa, if not to the Crow's Nest Pass in the Rockies.

Our guest of honour is a native of Rodney, Ontario, near which is located the University of Western Ontario where he earned a B.A. degree in economics and political science in 1952, followed by an honorary LL.D. degree in 1975. In 1959 he was awarded his PH.D. degree in economics from Duke University in Durham, North Carolina.

Since early times, there has been a strong impact of politics on railways and of railways on politics. Economics also plays a major role and it is not surprising that Dr. Bandeen should find a challenge in the CN empire where he began in 1955 in the Research and Development Department, becoming Director of Corporate Planning ten years later. From 1968 to 1974 with the speed of the CN Turbo he whistle-stopped through the positions of Vice-President, Corporate Planning and Finance; Vice-President, Great Lakes Region; President, Grand Trunk Western Railroad;

Executive Vice-President, Finance and Administration to President and Chief Executive Officer. Throughout this meteoric rise he has continuously emphasized the need for CN to earn an operating profit.

Among his many other interests, he finds time to support the Arctic Institute of North America, Bishop's University, the Canadian Economic Policy Committee, the Quebec General Council of Industry, the Quebec Provincial Council of Boy Scouts of Canada and the Stratford Shakespearean Festival Foundation of Canada, to name a few.

Two weeks ago today, the Minister of Transport presented for first reading in the House of Commons, Bill C-33, an Act to amend the National Transportation Act, the Department of Transport Act, and the Railway Act. It is therefore most timely and a great privilege for me to introduce Dr. Robert Angus Bandeen, President and Chief Executive Officer of Canadian National to speak on the subject "The Ways and the Means".

DR. BANDEEN:

Ladies and gentlemen: I am going to speak today of current developments in the business aspects of Canadian National — and their relevance to the future of the services we provide to Canadians.

At the outset, it is important to define the type of institution Canadian National is. This may seem almost redundant before such a well-informed audience, but experience has shown that in the past many misunderstandings have arisen because people have varying perceptions of what Canadian National is, and what it should do.

Perhaps it is easiest to begin by defining what Canadian National is not, and what it cannot do. It is not a department of the federal government, and its employees are not civil servants, even though it is owned by the people of Canada. It is not, as Donald Gordon once made clear, an experiment in socialism. It was set up as a pragmatic way to continue the operation of railways which, at the time of their completion more than half a century ago, did not have sufficient traffic to be self-supporting. And it is not an agency set up to eliminate regional disparities and subsidize ailing industries, though it can be the instrument for implementing such policies when they are decided upon, and financed, by the appropriate level of government.

From its inception following the First World War, Canadian National has been a business-oriented corporation set up to run certain transportation, telecommunications and other businesses on a sound, commercial basis.

The original mandate of CN was confirmed as recently as last month when the Minister of Transport wrote to our Chairman that although "the impression has persisted that Canadian National should be used as an instrument of public policy even at the expense of its commercial performance, it is the view of the government that CN should make every attempt to conduct its affairs with a commercial attitude and in a commercial manner."

Over the years the effectiveness of CN's financial performance has been masked by such items as inherited debts, and inadequate depreciation in earlier years. Governments have sought to assist particular regions or shippers or services by paying subsidies to us — and other railways — rather than paying them directly to the real beneficiaries.

But Canadians have reaped dividends in the development of one of the most extensive and modern railway networks in the world, which provides essential overland transportation at rates which are amongst the lowest of any of the major nations. It is this network of rail services, built by optimistic railroad pioneers at the turn of the century, that has helped Canada to enjoy the rapid economic growth of the past three decades.

It takes only a few moments of thought to realize that Canada with its vast expanse, its widely dispersed population and resources, and its severe climate, is more dependent on good rail service for movement of its goods than almost any other nation.

How would the grain from the prairies, the coal from British Columbia and Alberta, the forest and mine products and the many manufactured goods move to market if it were not for railways? Seaways and canals freeze. Trucks are becoming increasingly expensive as fuel costs soar. Only railways can provide the year-round, low-cost land transportation these essential Canadian exports need to reach markets at competitive prices.

It has been estimated that Canada's total trackage ranks third in the world in terms of length and fourth in terms of traffic. When you take into account Canada's position with regard to other industrial nations, this is a clear indication of the importance of railways and the effectiveness of the job they have done to date.

We, in Canadian National, are particularly concerned now with raising the capital required for the replacement and expansion of this system so that the future transportation needs of Canada can be provided for. Our annual capital requirements are in excess of $400 million dollars, if we are to keep operating on our present basis and allow for the predicted element of growth in traffic.

Now, there seems to exist in some quarters a quaint belief that Canadian National has a pipeline to the federal treasury, and we only have to turn on the tap to get the money we require from the federal government. Sometimes I wish this pleasant myth were true. The facts are that we have to raise our own capital in a number of ways, including selling preferred stock to the government.

Late last year, for example, we went to the European money market with a major bond issue. The bonds were not guaranteed by the government. But we were pleased when we found that the demand was so great that we were able to increase the original amount planned from $75 million to $85 million, and reduce the interest from eight and one half to eight and three-eighths per cent. This, I think, is some indication of the reputation of Canadian National among overseas businessmen. The only problem is that bonds represent debt capital, and part of our difficulty in CN is that our ratio of debt to equity is too high.

Looking to the long-term future, we would like very much to have the freedom and flexibility enjoyed by other large corporations, such as our friendly competitors, Canadian Pacific, to raise equity capital through the sale of stock. But equity capital brings up a word which has become one of the most emotion-packed issues of this time. The word is "profit".

Obviously, in order to attract equity capital, to encourage investors to share in the risks and benefits of the venture, you must have a track record of profits. Yet, when it is suggested that CN should run at a profit, some people react as if it were an indecent proposal. It is a sad reflection on the lack of understanding of how our economy works that so many people regard "profit" as a dirty word.

Many people — particularly younger ones — seem to associate the word with wicked capitalists, corporate rip-offs and playboy millionaires. They don't seem to realize that anyone who belongs to a pension plan, who owns an insurance policy or even has a bank account has a vested interest in profit-making.

In his recent book, *The Unseen Revolution*, Peter Drucker revealed that in the U.S. workers own, through their pension funds, one third of the equity capital of American business. Drucker points out that "the U.S. is the most socialist country in the world . . . if socialism is defined as ownership of the means of production by the workers." Indications are that in Canada, the percentage of stock owned by workers through pension funds is not nearly as high as in the U.S., but the trend is in the same direction.

It is interesting to note that in the CN pension fund some 38% of the investment portfolio of $1.2 billion is made up of stocks in various companies. I must hasten to point out right now that under pension laws it is forbidden for any of the pension funds of CN employees to be invested in the company. But I am sure that the pattern in the CN Pension Fund is similar to that of other large investment funds contributed to by millions of Canadians through pension plans, insurance premiums and similar operations aimed at improving their financial well-being.

If CN were to "go public" it would provide another opportunity for Canadians and the financial institutions to which they entrust their savings to invest in a worthy Canadian enterprise. I was surprised when some people chose to regard the possibility of CN selling equity stock as a give-away of the railway. It is hard to believe anyone would consider that all those large companies which sell their shares on the Toronto and other stock exchanges are "giving themselves away".

All CN would like is to be able to tap the same sources of equity capital for the long-term improvement of its services. For those who fear that CN might be sold out to top-hatted capitalists, it should be reassuring to know that the Government of Canada would remain the majority stockholder.

While those who made a direct financial investment and shared the risks of our enterprise could expect a direct financial return, there would be a form of dividend to every Canadian in the development of our services made possible by an infusion of new equity capital.

A profit-making railway system relieves the federal government of one of its many burdens, freeing up funds for other services which cannot be provided on a commercial basis. But a concern that many people seem to have is that an operation cannot be profit-making and socially responsible at the same time.

It is difficult to understand how such ideas can gain wide currency in a society which enjoys one of the highest standards of living and such a wealth of creature comforts because of the efforts of profit-oriented enterprises and individuals. Does anyone really believe that a policy of providing goods and services without regard to costs or economic viability and expecting the government to pay the losses can work in the long run?

We, in Montreal, have had a chilling example of what can happen when this type of approach is given any kind of free rein. In seeking to provide the Olympic Games with facilities and services which would do Canada credit, the City of Montreal has landed itself with a debt in excess of $200 million. Paying it off is going to be a heavy burden on the present and future generations of Montrealers — and is going to limit the funds available for other services.

I mention the example of Montreal and the Olympic debt only because it is well-known. It is not intended as criticism of the people involved. Because I know that there are many other cities and communities across Canada where the failure to impose rigid controls on costs has substantially increased the amounts required to pay for major projects and has imposed heavy burdens on local taxpayers. Soaring prices of materials, increasing labour costs, delays through disputes and high interest rates are affecting almost every major project in the same way as they hit the Olympic Games.

Canadians are beginning to realize more and more that government at any level is not a Big Daddy with an endless supply of money. The public purse is only as deep as the taxpayers' pocketbook.

But one thing I would like to stress is that concern for costs and an orientation towards profits does not mean that an organization such as CN cannot have a sense of social responsibility. Canadian National, despite its concern to be commercial, has been the instrument for achieving a number of socially-desirable objectives in Canada in the past.

How many people are aware, for example, that Canadian National founded the national network of radio stations which became the basis of the Canadian Broadcasting Corporation? It all came about in the 'twenties when the president of CN at that time, Sir Henry Thornton (who was, incidentally, an American with a British title) wanted to have Canadian programming in the radio cars that were then being attached to passenger trains. The radio stations stretched from Halifax to Vancouver and were located in CN hotels in some places. They brought Canadian listeners such network programs as the first hockey broadcasts and, exactly half a century ago, the celebrations of the 60th anniversary of Confederation in Ottawa. A number of the CN employees engaged in the radio department transferred to the new entity when they were taken over by the organization which later became known as CBC.

In the same way, when Canada needed a national airline, Trans-Canada Airlines was set up as a subsidiary of Canadian National. Originally almost a department of the railway, Air Canada has now, you might say, learned to fly on its own and the last corporate links are due to be severed shortly.

Canadian National is also playing an important part in the moves towards establishing new methods of providing passenger rail service here in Canada. Perhaps the pioneering example is here in Toronto, where we have worked closely with the Ontario government in the provision of GO Trains. The big breakthrough here was the recognition by provincial and municipal authorities that they could not expect the railway to provide much-needed rail commuter services at a loss.

The benefits of such services accrue to the local community through better transportation, increased property values and savings in facilities for more expensive and less effective modes of moving people. Therefore, it is only fair that any subsidies required should come from those benefiting from the services rather than being imposed indirectly on other customers of CN.

The provincial government took advantage of the rights-of-way and the knowledge available through CN, and thanks to this spirit of co-operation you, here in Toronto, have a commuter system which is the envy of many urban areas throughout the world.

The provision of inter-urban and trans-continental passenger train services across Canada is more complex and involves much larger expenditures, but some of the same approaches and the same spirit of co-operation can help bring improvements which will benefit all Canadians.

Over the years CN has sought to promote passenger trains with new marketing efforts, new colour schemes and a limited amount of new equipment. We have established clearly that it is impossible to provide in Canada a rail passenger service which is at the same time adequately equipped, priced to meet the competition for other modes and financially self-supporting.

Since it is clear that those Canadians who want to continue to travel by train will have to be subsidized by other Canadians, it is important that the total costs involved in providing the service be identified, and any losses be paid for in full by the government. The elected representatives of the taxpayers are the right people to decide just how much should be spent on passenger train subsidies — and make provision for the supply of the money. Passenger trains should not have to rely on a hidden subsidy from the customers of other CN services.

The Minister of Transport has announced recently his intention to set up an agency to market and operate passenger services in Canada. The new organization would, it is hoped, be able to integrate the passenger services of CN and CP Rail, and plan for the future development of passenger trains in Canada.

One of the major problems of the past has been that without a sound financial basis it has been difficult to raise capital for the new equipment and facilities required to operate a truly modern system of passenger trains. With the government prepared to underwrite the losses in full, it should now be possible to overcome this handicap.

Canadian National welcomes this move to develop rail passenger service, and is ready to help in every way possible. There are many decisions to be made and implemented, and announcements will no doubt be forthcoming on these. But I feel it will be a much better situation for Canada in the future when railways will no longer be in the position of having to operate passenger trains which, because of the lack of capital and less-than-adequate fares, could never meet the standards expected by the travelling public.

With the total costs of providing modern passenger train services clearly identified, Canadians will be able to compare this mode with others, and decide through their elected representatives where public funds earmarked for transportation can be spent most effectively. I only hope that in these comparisons the total costs involved in other modes, including their impact on the environment and non-renewable resources, are fully taken into account.

The implementation of more candid and rational approaches towards transportation costs — and who shall pay for them — has created great controversy in certain parts of Canada.

Over the years, there has grown up the belief that certain areas or certain commodities or certain people are entitled to a free ride — or at least one substantially below the costs involved in providing the service. But the facts of economic life are that there is no such thing as a free ride. If the person benefiting from the service does not pay, then someone else has to.

As operators of transportation services we do not object to free rides in principle. All we say is that if it is decided for political or other reasons that someone should not pay his way, then whoever makes that decision should be made aware of just how much the fare is, and should also indicate who will pay the bill.

There is a growing realization in Canada of the folly of open-ended subsidy programs which seem to be based on the assumption that supply of public funds is inexhaustible. The provision of transportation services is a good field in which to start a return to reality.

We, in Canadian National, want to have the freedom to explore and develop the many *ways* there are to provide Canadians with transportation and other necessary services on a sound, commercially-oriented basis. Our concern with efficiency and profitability is aimed at providing these services to Canadians at costs which are not beyond their *means*. That, I feel, is the best way we can discharge our social responsibilities to all Canadians.

MR. KARN:

I would now like to call upon Dr. John Fisher to express the appreciation of the audience.

DR. FISHER:

Mr. Chairman, distinguished guests, ladies and gentlemen: Mr. Chairman, you mentioned that politics and transportation have always been intertwined. Ever since Confederation, transportation has been at the centre of the political storm. Confederation was built on the promise of a railroad. Ever since then, governments have been concerned with transportation. Some provinces have even threatened to secede — not Quebec — because of poor transportation. Out west, the hottest political issue there is transportation — again.

I belong to that romantic age that remembers the railroads with great affection and warmth, especially the sleepers that crossed the country. It was a great way to get to know Canada, have a rest, and get a lot of work done. I've prepared more speeches, written more notes, read more books on trains, where there were no telephones to bother me, than at home. I'll never forget the Winnipeg goldeye they used to serve, and fresh Restigouche salmon, and fresh berries along the road, those magnificent chicken pot pies — all served on real china, on real linen, with real waiters who you weren't afraid to speak to.

Those were glorious days. What a great way to learn about Canadian geography. When you were tired of working or reading, you just looked out the window and counted the Christmas trees, or watched Canada slip by, or counted the gopher holes, or looked in awe at the height of the mountains.

Those days have gone, haven't they, Doctor. Can't blame CN. Can't blame CP. It was just the inexorable winds of change that blew the passenger train off the tracks.

But the roadbed of transportation is still there. As you pointed out, it appears that now the problem is in new dimensions, new equations entirely. Now it's computers, and towers, and microwaves, and electronic magpies chattering across the country. Now it's containers, and unitisation, palletisation, and pipelines. Now it's airlines. And this one might be the most explosive of all transportation topics in our history: What language is spoken between a pilot and a controller on the ground? In Quebec, that is probably the most sensitive of all issues at this moment.

Transportation and its problems are still with us, Dr. Bandeen. But I was greatly encouraged by your comments. You see it in a new dimension. I thought it was great to have a man from a publicly owned institution come here and talk about profit! I wish you would go across this country and talk about profit, and ask people where would the pensioners be without profit? It is profit and hard work that made this country.

It was great to hear those words and to hear your vision, your pioneering in the new equations. You're thinking big. I came to the conclusion that there's nothing band-aid about Bandeen.

FEBRUARY 17, 1977

China Today

AN ADDRESS BY C. John Small, B.SC.A., B.A.,
FORMER AMBASSADOR FOR CANADA TO THE PEOPLE'S REPUBLIC OF CHINA

CHAIRMAN The President,
William M. Karn

MR. KARN:

Today we are pleased to welcome as our guest speaker the first of three Ambassadors for Canada who are serving our country with distinction and who have generously agreed to honour us with addresses this season. And what could be more appropriate on this eve of the Chinese New Year, which ushers in "the year of the snake", than hosting our most recent Canadian Ambassador from Peking.

Mr. John Small has just returned to Ottawa after several foreign postings extending over a period of 26 years, the most recent of which was to the People's Republic of China. None of these locations required him to struggle with a snow shovel, which is what he was doing when I located him one evening in January.

To be required to exchange life in that beautiful modern brown brick Embassy on the outskirts of Peking, complete with spacious gardens and swimming pool, for a language training course in mid-winter Ottawa is almost similar to the Chinese custom of rotating certain members of the privileged community to the rural communes for reconditioning of the mind as well as the body at given intervals.

And yet stark contrasts have been his cup of tea for several years. Born in Ch'eng-tu, China in 1919 of missionary parents, he obtained his B.Sc.A. degree from the Ontario Agricultural College in 1942 and Bachelor of Arts degree in political science and economics from the University of Toronto in 1949. During the war years he served with the R.C.N. in the North Atlantic, the Mediterranean, Normandy, and Australia, being discharged as Lieutenant in 1946.

In 1949 he joined the Department of Trade and Commerce, and after five years at The Hague moved over to External Affairs — in their Far East division. Chinese language studies were required to refresh his memory and then he was off to Hong Kong and later Karachi.

Canada made him her permanent representative to O.E.C.D. in Paris for four years and then appointed him High Commissioner (later Ambassador) to Pakistan and concurrently Ambassador to Afghanistan. From 1972 to 1976 he served as Ambassador to the People's Republic of China, and concurrently Ambassador to the Socialist Republic of Vietnam for the past two years. We wonder what he did in his spare time.

Those of you who, like myself, may have been privileged to enjoy the excitement of visiting in China in recent years, and perhaps meeting the late premier Chou En-lai and enjoying his warm hospitality, must marvel at the awesome political strength and infinite wisdom of those who rise to lead 900,000,000 people, united in purpose, and dedicated to improving the quality of life of all. You can well understand the significance of the Chinese custom of venerating the snake for his wisdom and goodwill. Many appear in marble and stone in the Palace Museum — formerly called the Forbidden City.

There is also much of the material wealth and life style of ancient China which can be studied by the visitor. Here is a piece of stone which I took from a quarry at the foot of the Great Wall, that magnificent defence monument to Chinese engineering capabality, 6,000 kilometers in length, built over two thousand years ago — to repel the invaders and thereby improve their quality of life even then. As for the 1970's, do not forget that China ordered three Concorde supersonic aircraft at about the same time that Canada cancelled her order.

Ladies and gentlemen, we are interested in what the future holds for that vast republic on the opposite side of the globe. It is a distinct privilege to introduce Mr. John Small to talk to us about "China Today".

MR. SMALL:

Thank you, Mr. Chairman, for your invitation to speak to this distinguished audience today and for your warm welcome.

In accepting, I did so with some hesitation because it is now four months since I left Peking and events in China have a habit of leaping ahead once they begin to move — and moved they have in recent weeks. I am reminded of some remarks on the situation in Cyprus a few years ago when a keen observer commented that "anyone who claims to understand the situation can't be in possession of the facts". Well, at times it may seem that way with respect to China, and the facts as we are aware of them often seem bizarre, if not incomprehensible from this distance.

What I propose to do in the next half hour is to provide you with something of the atmosphere in China today and, hopefully, sufficient signposts along the way to help you to reach your own conclusions. The experts have been wrong so often where China is concerned that it would be presumptuous of me to claim to have all the answers or to purport to know what will happen next. As the reactions of visitors to China tend toward the extremes — pro or con — I shall try to provide a balanced perspective and, hopefully, some useful insights into the way things are done in China by the Chinese people.

The death of Chairman Mao Tse-tung last September ended the forty-year era during which he dominated the course of Chinese communism. The passing eight months earlier of Mr. Chou En-lai, until then the People's Republic of China's only premier, was an event of commensurate importance since, over the years, it had fallen to him to implement Chairman Mao's line on domestic and foreign policy. As the Chinese authorities are now saying, he did this "creatively". In other words, he improved on the Chairman's policies whenever this was necessary — as it often was.

One of the things Premier Chou En-lai sought to do shortly before he died, probably with Chairman Mao's approval though this is not entirely clear, was to set up the succession to Mao Tse-tung and himself. Had he outlived the Chairman he doubtless would have succeeded him as the head of the Party. Beyond that, it was clear in January, 1975, that he intended the then senior Vice-Premier, Teng Hsiao-ping, to succeed him as Premier. As we all know, Chou's carefully balanced structure for the succession began to fall apart one month after his death when Teng was publicly attacked. It crashed in ruins when Teng was ousted from office just two months later.

The new Premier, Hua Kuo-feng, moved swiftly with military support after Mao Tse-tung's death. Within a month, he arrested the Chairman's wife, Chiang Ching, and the other three prime "radicals" ("leftists" or "idealogues"), Chang Chun-chiao, Yao Wen-yuan and Wang Hung-wen. The latest indications from China suggest that there is strong support for the return to office of Teng Hsiao-ping and it seems likely he will be rehabilitated for the second time in recent years. The only doubts remaining relate to timing and the capacity in which he will serve in the future.

I have related, sketchily, this fragment of recent Chinese history to illustrate the processes by which politics are pursued in the People's Republic of China. Throughout the more than half-century history of the Chinese Communist Party there have been a series of "line" struggles for leadership and, until his death, Chairman Mao invariably outmanoeuvred and bested his adversaries. In the absence of leadership conventions of the North American variety, aspirants to the top party position in China until now have had to combine political astuteness with support from a combination of civilian and military factions, with the latter often being decisive.

In effecting the most recent changes Hua Kuo-feng, who combines in himself the Party Chairmanship and Premiership, followed the traditional pattern by obtaining the support of the majority "moderate" or Chou En-lai faction, and that of the military. The "radicals" who lost the struggle for power did so because they lacked this type of support and had lost, with Mao's death, their trump card. Chairman Mao in the Cultural Revolution of 1966-70 had had his last fling at ensuring the endurance of his values and priorities but in doing so had divided China's leadership. In the years which followed, the struggle between the "moderates" and the "radicals" became intense and resulted in the triumph of the former following Mao's departure.

What was it that set these two groups apart? Essentially it was means rather than ends, for both groups comprise convinced communists and want the type of state that this implies. The radicals sought through manipulation of education, the media and cultural apparatus to impose narrow, ideologically visionary concepts of revolution and egalitarianism. They emphasized class struggle and mass mobilization to achieve doctrinal objectives. The "moderates" sought realistic solutions by pragmatic and less ideologically oriented means. They emphasized stability, productivity and economic expansion.

With the "moderates" now in control it seems likely that their practical economic policies will be pursued. What is less certain is the caste of characters who will be directing and implementing them. As mentioned earlier Teng Hsiao-ping seems destined to return but when and in what capacity are unknown. As Chou En-lai's chosen successor he will not be inclined to accept less than one of the most senior posts. This obviously creates difficulties for Hua Kuo-feng since he now occupies the top party, governmental and military positions as, respectively, Chairman, Premier and

Commander-in-Chief of the armed forces. Ensuring Teng's co-operation seems vital to achievement of stable government in the future. Should the two men agree to work together harmoniously a long step on the road to stability will have been taken. If, however, Teng were to challenge Hua's primacy the present atmosphere of uncertainty would remain, with adverse effects in the political, economic, social and military spheres.

With this cloud of political uncertainty hanging over China's leaders, the foreign policy of the People's Republic of China seems destined to remain on its present course. This means an anti-Soviet stance balanced by maintenance of essentially friendly relations with the United States. Sino-Soviet state relations could improve marginally but the ideological quarrel, on present indications, seems destined to continue while the current leaders control both countries.

Chinese relations with the United States can never be completely normal while the latter continues to guarantee the separate status of Taiwan. The authorities in Peking have been prepared to wait patiently, especially to give the new American government time to settle in. They may become impatient, however, if President Carter fails to show any movement on the question of Taiwan. For their part, the Chinese refuse to abandon their ultimate lever, armed force, to reclaim Taiwan as a province of the People's Republic of China. At the same time, the United States is bound to protect Taiwan by virtue of its security treaty with the Nationalists — all of which leaves neither side with much room for manoeuvre. Whatever happens, China needs a basically friendly or at least benevolently neutral United States as a counterweight to what it perceives as a greater threat to its land frontiers from the Soviet Union. Similarly, China will endeavour to remain on good terms with Japan for such strategic, but also for historic and practical economic, reasons.

Another cardinal aspect of China's foreign policy is its identification with and support for the developing countries or Third World. The leaders of the People's Republic have arbitrarily divided the world into three categories: the First World, comprising the two super powers, the United States and the Soviet Union; the Second World, comprising the industrialized developed countries, including Canada and its European, Japanese and Australian friends; and the Third World, comprising the rest, i.e. the developing countries. It is axiomatic that if an issue divides the First or Second Worlds from the Third, the People's Republic of China will be on the side of the last. One does not need to look far for the reasons why the People's Republic insists on identifying with the developing world: it is itself in a developing phase and it has a shared history of foreign domination and exploitation by what it terms the "imperialists" and the "colonialists". This terminology is not unreasonable since the acts of aggression against China in the 19th and 20th centuries were perpetuated by what were then unabashedly imperial and colonial powers.

Canada, as a colony well into the 19th century and as an emergent independent country after 1867, cannot be termed an imperialist or colonialist power. Nevertheless, although we have escaped the ultimate approbrium of being either an imperialist or super-power we tend to be tarred with the same brush or classified among the "running dogs" of imperialism. This terminology has softened recently and may be heard less in the future. We will, however, continue to be lumped together with the developed Second World and considered beyond the pale of either the Third or the "socialist", i.e. communist, world. Contradictory as it may seem, this does not inhibit the development of good and useful relations with Canada. Canada gained considerable credit with China when in 1970 we agreed to recognize the People's Republic of China as the sole legal government of China and simply took note of China's claim to Taiwan, rather than to recognize or deny it, and thereby created the formula through which the log-jams on recognition of the People's Republic and its United Nations membership were broken. While the immediate effect of this has diminished, Canada is, nevertheless, regarded by the Chinese authorities as a relatively progressive member of the Second World, a useful trading partner and a source of scientific and technical know-how.

I cannot leave China's foreign policy without a brief reference to its distant past. The People's Republic of China is sometimes termed aggressive, irrational or xenophobic. But if Chinese reactions to foreign encroachment are to be understood they must be recognized as the end result of a long history stemming in recognizable form from Han Dynasty times, or roughly the period of the Roman Empire, to the present day. Nearly two thousand years ago, following the ebb and flow of conquests and defeats, the Chinese rulers concluded that a policy of suzerainty over border regions suited their needs better than the costly process of military conquest. There thus came into being a ring of surrounding states which maintained their political integrity while deferring to Chinese influence and culture. Since those times the Chinese have regarded threats or perceived threats to peripheral states as a threat to China itself. Hence, the violent reaction to the approach of United Nations' forces to the Chinese frontier in Korea, to American involvement in Indochina and, more recently, to the Indian absorption of Sikkim. If one adds to this historic strategic concept China's enormous economic problems and its consequent relative military weakness, it becomes plain that the People's Republic of China has no territorial ambitions beyond its own frontiers. And if one should question its attitude toward the Paracel and Spratly islands in the South China Sea, it should be noted that these have long been claimed by China and that some evidence exists to substantiate such claims.

Turning to the domestic scene in China, there is a single stark statistic that stands out from all the rest and which determines the parameters of Chinese domestic and, in a general sense, foreign policies. This is the figure for China's population: 900 million souls, give or take a few million. To grasp the enormity of this figure it is only necessary to realize that the People's Republic reproduces Canada's population every 15 months and will reach the staggering total of one billion before 1985 — something to think about! Indeed, according to Teng Hsiao-ping when, as senior Vice-Premier he was acting Premier during Chou En-lai's terminal illness, this was what the Chinese leaders spent more time and thought on than any other single subject. Speaking to a Canadian visiting delegation, he said the problems involved in solving the basic food, clothing and housing needs of the Chinese people were his and his colleagues' prime economic priorities.

As you know, the areas of Canada and China are approximately the same, with Canada marginally larger. There is another geographical likeness between the two countries in that only a small proportion of the land mass in each is arable and cultivated. In Canada the figure is a little under 10%. For China it is between 10 and 15%. There the likeness ends, however, for our relatively small population and our economic philosophy which permits unlimited imports of food, clothing and materials of all sorts, contrasts sharply with China's 900 million and its autarchical economic concept which demands the highest possible degree of self-sufficiency.

Given these realities, it is remarkable how successful the government in Peking has been since 1949. Look at the facts. When the People's Republic of China was proclaimed on October 1st, 1949, the new régime inherited a prostrate economy; inflation was rampant; the currency was worthless; the population as a whole was poverty-stricken with a high proportion living at the margin of starvation; many diseases were endemic and epidemic in proportions; administration was corrupt and inefficient; industry, such as it was, was at a standstill; crime and prostitution were rife. Within a remarkably short space of time new administrative structures were in place and basic honesty had replaced corruption; inflation was halted; a new and stable currency was in circulation; crime and prostitution were controlled; universal education and public health services were instituted, agriculture reorganized, land improved, irrigation expanded and reforestation launched; employment, food, clothing and adequate shelter were provided for all, and a strong, stable, centralized government was in control in Peking. Taken together, this was a remarkable list of achievements by any standard.

One can argue endlessly about the means employed to achieve all this but it is pointless to do so. China had come through a century and more of corrupt, divided and feckless governments with their concomitants of physical invasion and foreign domination, as well as an ego-shattering external challenge to its centuries-old culture. Government had always been at best autocratic or paternal, at worst venal and oppressive, but never democratic. That the new communist government in Peking was not democratic in our sense of the term was of no import to an exhausted and ravaged people who had, in any event, never experienced that form of government. To the mass of Chinese at the time, anything new had to be better than the old.

When Chairman Mao declared on October 1st, 1949, that the people of China had stood up, that was no less than a statement of fact. After decades of internal and external oppression, which incidentally contributed to the tightly knit character of the family in China, the people of China were able to raise their heads in pride under the leadership of a government which spoke for the nation at home and abroad.

This does not mean that everyone in China agreed with or accepted the new government. Chairman Mao himself customarily set the number of dissidents at 5% of the populace. In today's terms that would represent forty-five million people or twice the population of Canada. But substantial as this number seems, it should be considered within the perspective of the total population. Forty-five million submerged and dispersed through 900 million becomes much less significant or alarming for any government ensconced in Peking. From 1949 on, then, the new Chinese government could count on the mass support of its people, tired as they were of corruption, domestic and foreign exploitation, civil war, and general mismanagement. They were therefore not inclined to quibble over — even if they thought of — the niceties of this or that policy, whether democratic or otherwise, as long as peace was restored and a decent living was assured. And this in general is what they got.

Of course, there have been ups and downs. To quote Chairman Mao again, "A revolution is not a dinner party." Chairman Mao's revolution has included an unending series of campaigns aimed at furthering the revolution itself and, incidentally, at modernizing the country and raising the living standards of its people. In a modest way the latter ends have been achieved. A family in either the city or countryside now has from one to three rooms, depending usually on the size of the family, in a solid brick dwelling. Everyone has a job of some sort. It may be menial or insubstantial but there are few able-bodied unemployed in China. An eight-hour workday is enforced. Basic commodities like cooking oil, rice and cotton are rationed but no one starves or goes without clothing or shelter. The cost of living has remained stable for nearly three decades and some prices have fallen. Nearly every child receives primary education; most, secondary education and an increasing, but in percentage terms small, number receive higher education. A public health network spans the country and is available to all at minimal cost. An infrastructure of communications and telecommunications is constantly being expanded.

Conditions, of course, in China are still not ideal and the Chinese are the first to point this out. Their society, while much fairer than before 1949, is far from the egalitarian ideal projected by the idealogues. Chairman Mao himself, not long before he died, pointed out that the eight-grade wage system was still the norm in industry. There are something like twenty-eight cadre levels. City dwellers, mental and industrial workers remain far better off than their country, manual and agricultural counterparts. Higher level cadres enjoy a variety of privileges in addition to higher pay, such as better suit material, better housing, or an official car with curtained windows. Labour efficiency is generally low and low wages combined with a paternalistic system have sapped the legendary industry of the Chinese worker. The educational system, though nearly universal, is appallingly weak. Besides the disruptions of events such as the Cultural Revolution, which cost at least five years of higher education, students are still being chosen for university on their ideological rather than their academic credentials. And the curriculum of the customary three-year university course is normally about halved by time spent on physical labour and political activities. There are, however, signs that these deficiencies may be about to be tackled as a consequence of the disappearance of the "Gang of Four".

Granting these weaknesses in the Chinese system, one should not be unduly critical. The chaotic situation which existed in 1949 was overcome in remarkably short order, and a stable government and economic structure were installed which have on the whole worked well for the Chinese people in the conditions which have existed in their country. We need not be carried away, as some Canadians are, to the point where Chinese solutions are regarded as panaceas for all ills in all countries. They are not. As things are now, most of China's methods and the philosophy behind them would not be acceptable to most Canadians in the environment and conditions that exist here. For example, under present conditions all students at the end of their studies are assigned their life work without choice. However, Chinese concepts and methods generally have been effective in Chinese conditions. They have laid the foundation for onward progress to better things. The soon-to-be population of one billion can never expect a one-car, let alone two-car, garage for every household. But then, for how long into the future can we expect to have such luxuries with the price of fuel rising and the quantity available diminishing at present rates?

It is clear that China's current leaders are more inclined to pursue the pragmatic policies of Chou En-lai than would have been so if the "radical" faction had gained control or even maintained the influence it had while under the protective wing of Chairman Mao. Doak Barnett, of the East-West Center and the Brookings Institution, has suggested that "what seems to be emerging is a civilian-dominated but military-backed collective group, predisposed toward pragmatic problem solving." This seems to me to neatly summarize the kind of régime that exists in China today and what we can expect from it in the immediate future. While pursuing Chou En-lai's long-range economic policies designed to mechanize agriculture and produce a strong, modern, socialized country by the end of this century, they will continue to be influenced by Chairman Mao's ideology while adapting it to current needs and using his thoughts selectively to justify their actions. The Chinese populace clearly welcomed the change of pace and method adopted after the arrest of the "Gang of Four". Provided the leadership problem mentioned earlier can be settled amicably, the stability thereby achieved should permit the pursuit of domestic and foreign policies which can be welcomed generally by Canada and her friends.

Thank you, Mr. Chairman.

The appreciation of the audience was expressed by Mr. Leland H. Ausman, Secretary and a Director of The Empire Club of Canada.

FEBRUARY 24, 1977

The Food Industry and the System

AN ADDRESS BY Thomas G. Bolton, Esq.,
PRESIDENT, DOMINION STORES LIMITED

CHAIRMAN The President,
William M. Karn

MR. KARN:

Mr. Minister, Reverend Sir, distinguished guests, ladies and gentlemen: In few countries of the modern world does the average citizen have access to such a wide variety of food products, of such rigidly controlled high quality, and in such ample quantity, as we do in Canada and the U.S.A.

From primary production through processing, packaging, distribution, to home preparation, giant strides have been made in improving the efficiency of each stage, hopefully protecting the consumer, maximizing the nutritional value at minimum cost and minimizing the demands of that last step — home preparation.

In the short space of one or two generations, this industry has become highly sophisticated, well organized, and managed by professionals at all levels. Children of today and some of us older folk might not recognize the compliment intended by the epitaph engraved in a New Brunswick cemetery: "John Brown, 1852-1914, 'Born a man — Died a grocer' ".

The path to modernization is not always smooth. It was disturbing some years ago to observe the resistance which occurred in some South American cities, where Nelson Rockefeller introduced his Mini-Max supermarkets, only to have them bombed and burned on the eve of one of his tours. Improvements in efficiency, particularly when inspired by foreign owners, are not always welcomed in certain countries.

Leading the way in food product retailing in Canada, with over $2 billion per annum volume through 380 stores today, is the mammoth Canadian-owned Dominion Stores Limited. Although Argus Corporation, with a controlling interest, does keep a watchful eye on the bottom line, credit for guiding the 25,000 employees in this well-managed enterprise goes to our guest of honour, President Thomas G. Bolton.

Mr. Bolton joined Dominion's accounting staff in 1936, forty-one years ago, and has been with the company since that time, with the exception of four years' service in the Royal Canadian Air Force, where he rose to Flight Lieutenant.

After moving through management positions from Hamilton to Halifax, he returned to head office twenty years ago. Experience as manager of research, then director of strategic planning, and vice-president, corporate development, led to his election as president and a director in 1973.

Ladies and gentlemen — no commercial activity is more competitive than Canada's food business and no one has broader experience in this field than our guest of honour today. It is a pleasure to introduce Mr. Thomas G. Bolton, president of Dominion Stores Limited, to speak on "The Food Industry and the System".

MR. BOLTON:

Mr. Chairman, ladies and gentlemen: The Empire Club has a reputation as a forum for diverse opinions and positions. You breed and encourage controversy but your objective is enlightenment and truth — and perhaps even harmony. Looking over a list of your guests for this or any other year is a fascinating, and I must say a humbling, experience. Politicians, labour leaders, philosophers, businessmen, bishops, authors — surely there can't be much that hasn't been said from this head table at one time or another. But I want you to know I remain undaunted.

My theme today is industry and the system, and how the system can work. I want to talk about how I think Canadians can keep the country going without disruptive or radical changes, without abandoning the institutions and the methods which have made us what we are, which have given us so many good things in our lives.

In other words, I am for co-operation and recognition of common interests by politicians, consumers, labour, industry. I am for listening to each other.

It doesn't sound like a revolutionary objective, does it? But let me tell you about a little experience I had just over a year ago.

Every winter in Ottawa the federal government organizes an Agricultural Outlook Conference. It brings together farm organization representatives, people from the various government departments concerned with food and farm matters, economists, international experts on agriculture. When they asked me to be a keynote speaker and give a supermarket man's view, I was pleased. As far as I know, I was the first person from the food industry, other than farmers, to be asked to participate.

I used the opportunity for two purposes — first to urge that the government establish a coherent national policy on food to replace the jumble of conflicting or unco-ordinated programs that existed, and still exist; and second, to suggest that now they had let me in the door, they should open the conference up in future years to others from the food industry, and to include the consumer. I thought I made a good case for the wisdom of including people who perhaps could help make programs work and achieve their objectives, people who know and live with the wants, needs, moods and attitudes of the consumer as well as the consumer herself.

But this winter the circle closed again. The annual conference has come and gone, and I looked in vain for the name of a keynote spokesman for the food processing or distribution industries. I will continue to hope that the door will be reopened.

Yet there are a lot of things we know, that we'd be happy to tell them, not in a spirit of criticism or complaint, but with the aim of helping governments and farm organizations do a better job for the people we're all trying to serve, the consumers: those people who buy and who vote and pay taxes and who have a right to the benefits of some co-operation and understanding from the leaders of our institutions and our enterprises.

To help establish the food industry's credentials, I would like just to draw to your attention the record of the past year. We all know that the federal government set as its target for 1976 an 8% ceiling on the rate of inflation. Justifiably, considerable pride was taken in the fact that the actual rate of inflation, based on the consumer price index, was 7.5%.

Actually the Anti-Inflation Program had relatively little effect on the price of food. Farm gate prices were specifically exempted from the Anti-Inflation Program. They account for 40% of total retail value of food and are the base on which the remaining 60% is built. The excellent price performance of the food industry made it possible for the government to claim success for the Anti-Inflation Program. Now leave food out of the consumer price index figures and you will find that for the twelve months ended December 1976 the cost of living, excluding food, rose 9.4% — or slightly more than the government's maximum target. In other words, the food industry made an enormous contribution in the fight against inflation.

Since I haven't noticed any significant decline in the complaints and criticisms about food prices, we assume that our achievement has, so far, gone unrecognized — at least up to today.

On average the food price index for 1976 was only

7.2% higher than that for 1975. The index for food consumed at home was even more impressive, an average increase of only 1.5% for the year over the figures for 1975. For December alone, the index was actually 2.3% *lower* in 1976 than it was in December 1975. In the light of increased incomes and higher costs of other goods, food has been quite a bargain. In fact, beef retail prices now, in 1977, are relatively the same as 1970 and Canadians continue to spend only about 14% of their disposable income on food.

There are three main segments in the industry — primary production and farming, manufacturing and processing, and distribution. Let me take a moment to capsulize their contributions to the control and reduction in food costs.

— primary production and farming, after three successive years of well deserved increases in farm income, recorded a slight decline in 1976.
— manufacturing and processing maintained earnings: no increase, no decline.
— distributors have recorded a substantial decrease in earnings for 1976.

The industries responsible for food for home consumption operate, as I have said, in great measure without Anti-Inflation Board controls. They have proven their continuing ability to act as their own control mechanism. It has been the major element in the economy to meet the inflation objective while almost all others have exceeded the mark of 8%. Perhaps the retail food industry would be a good place for government to start the decontrol process.

Let me look into the future, for a few minutes, and tell you some of the things I see as being either likely to happen or as being desirable. Being likely and desirable are not the same thing, of course, because one of the first likely developments I have to mention to you is that prices will increase. I am sorry to have to report this but I think that in the light of what I told you earlier about the restraint practised last year, it is inevitable that there should be some upward pressure.

In fact, at Dominion, we have received, since the first of January, notifications of cost increases from grocery manufacturers and processors at a much greater rate than in 1976. There seems to be little chance that the food industry can do as well this year as it did last to keep price increases under control.

There is some good news, however. We do not expect any large increases in the price of beef this year. Chicken prices will not go up until about June and there is a question about whether they will rise even then. Turkey production recently has been in excess of demand so that the shopper can expect to continue to get a good buy on turkeys. Prices appear to be stable for frozen vegetables; market conditions for canned corn, canned peas and canned tomatoes are such that there should be some bargains there in the next few months.

Pork prices, however, will likely be going up much later in the year. Coffee prices are at an all-time high and it is difficult to say just when they will be dropping, although homemade coffee at a nickel a cup is still an inexpensive beverage.

As for eggs, the less said the better. I am convinced that in the past year we could have sold more eggs to the benefit of Canadian consumers at lower prices and, had the Egg Marketing System of Canada been run a little differently, the producers would have done at least as well as they, in fact, did. But, the normal laws of economics or even good sense don't seem to apply in the egg industry, at least beyond the chicken, and the result is that everybody pays more and the farmer produces less.

I am not arbitrarily against Marketing Boards — in fact I see a very important role for them in giving producers a reasonable degree of confidence in their business operation. We are better off with them than without them, but they require major modification. Efficient farmers must get a fair and adequate return for their labours. However, in some fields, it seems we assure the farmers of more income if we force them to produce less and thereby keep prices high for consumers.

When we look into the future there are some things that are interesting and attractive and some things that frankly I find a little unappetizing. We all read recently about the people south of the border who have developed a way to make bread containing wood fibre. The decision of our government not to permit it to be sold in Canada is one example of government intervention that I am prepared to support. I am not thrilled either by the prospect of milk being produced without the involvement of the cow. The technology exists to do that after a fashion but, as far as I am concerned, it will have to wait for another generation of supermarket management.

In the near future all consumer-related industries face some interesting challenges arising from changes in age distribution of the population.

We are going to have more people in the 25 to 44 age group, resulting in a greater labour force in relation to the population. The 65 and over group will, likewise, grow substantially.

Working women now represent 37% of the work force and will move closer to 50% in the next decade. This means pressure for extended hour shopping, more convenience foods and more of a leisure approach to shopping.

We also can foresee a baby boom in the period after 1980, with all that implies — in a business sense of course.

I think I reflect the view not only of my own company but of our major competitors as well when I say that you can anticipate not a large number of additional stores but a considerably larger average size of supermarket in the future.

A lot of shoppers have said to me that they don't care what we do to change our stores as long as we speed up the service at the check-out counter. All I can say is that we recognize this as a major problem and we are experimenting with every conceivable new approach, new arrangement, and new technology.

We are very interested, for example, in the so-called electronic check-out system which we think would save both time and money. Whether we will be able to take full advantage of it is something that we haven't as yet determined and it is one of those things about which members of the public themselves have some reservations.

At the beginning of my remarks I talked about some of the things I felt government might be able to learn from people in the private sector. I think perhaps they might take a look at our achievements in developing our productivity.

In some industries the productivity of Canadians is not keeping pace with that of our international industrial competitors. However, in the supermarket industry, in my company and in some others, we are really doing extremely well by international standards. We measure productivity in a variety of ways, but primarily in sales per square foot. My company has one of the highest figures in North America, and certainly the highest in Canada.

Operating efficiently and productively is a result of investment and of co-operative effort by management and employees, something that has evolved in my company and that makes us very proud. I think that perhaps Canadian industry generally could learn something from our experience. I think that perhaps the governments of this country could learn something from it too.

A year ago the business community in Canada was in turmoil over the combined effect of the still new Anti-Inflation Program and the Prime Minister's speculation about the demise of the market economy, the essence of our economic system. We have lived with the Anti-Inflation Program for more than a year now and I think we who help to operate the market system have proven that it has surprising strength and resilience and a capacity to contribute to making such a program work. Our Prime Minister gives the impression of having mellowed a little and of looking more kindly on the private sector as a participant in our national economic life. Face-to-face communication hasn't been effective enough or extensive enough, but some messages are getting through.

Business and labour have not made much headway with each other yet, but both have been making noises in recent months about the desirability of consultation and co-operation with government. If each can co-operate with government, then they can co-operate more effectively with each other if they put their minds to it.

The recent Partnership for Prosperity Conference in Ontario is a positive example of dialogue. I hope in my home province that these will continue, and I'm sure when the horn-blowing of first exposures passes, constructive contributions will result.

More important than the frequency or the format of whatever consultations we might have is the need for mutual respect and consideration. People in government are often hostile and suspicious in their attitude to business. The public, including business people, is often skeptical about the standards of ethics and integrity in public life. Perhaps we tend not to see the value of the roles of other people.

You hear people condemn the Prime Minister in one breath, brush off the leader of the opposition in another and possibly not even refer to the leader of the third party, yet one of these men is in charge of our affairs right now and one will be in charge after the next election. There is no point in concluding that none of the three will do.

Last year at my company's annual meeting, after I had delivered myself of some suggestions for the government — or perhaps they were complaints and criticisms — I was asked by a shareholder what I would do if I were Prime Minister. That's not an easy one to field when it comes at you unexpectedly, and I don't suppose I answered very satisfactorily. I've thought about it a lot since, though. One thing I would do would be to start listening to some of the people I knew didn't basically see eye to eye with me. And another would be to explain my own views without being emotional, shocking or antagonistic. Then I'd hope there might be some adjustments, some concessions, some changes of position from both sides. It's possible. That's the kind of thing that would prove the system works and would keep the country whole.

Thank you.

The appreciation of the audience was expressed by Mr. Willis L. Blair, Honorary Secretary of The Empire Club of Canada.

MARCH 3, 1977

Canada's Adversary System—Is There an Alternative?

AN ADDRESS BY Dennis McDermott, Esq.,
U.A.W. INTERNATIONAL VICE-PRESIDENT AND DIRECTOR FOR CANADA

CHAIRMAN The President,
William M. Karn

MR. KARN:

Mr. Minister, Reverend Sir, distinguished guests, ladies and gentlemen: A milestone in labour relations was established in our country in 1844 when the oldest of Canada's printing associations, the International Typographical Society, No. 91, was formed. Its motto was: "United to support, not combined to injure".

Although the trade union movement may have accomplished many major social changes for the betterment of Canada as a whole in the intervening period, there was another rather unenviable milestone reached 131 years later in 1975 — a world record in fact — when Canada recorded 2,840 days lost through strikes per thousand employed, according to statistics published by the International Labour Office. Compare this with Britain in that year — considered by many to be killing herself off through labour unrest — where there were only 540 days lost per thousand employed, and she has a much larger labour force.

Because of this unfortunate trend, all responsible citizens are concerned about where our society is heading. In certain sectors of our economy, particularly in secondary manufacturing, we are no longer competitive with other industrialized nations who not only take over our traditional export outlets, but capture an ever increasing share of our domestic markets, leading to rising unemployment. And the cost of labour, while important, is only one of several factors contributing to this problem.

As our guest speaker today is well aware, labour and management are making a determined effort to co-operate and they hope that governments, the third partner, will do likewise. By way of illustration, the Canadian Labour Congress, and the Canadian Manufacturers' Association, on January 19th, 1977, sent a joint letter to Prime Minister Trudeau detailing several topics of national interest and concern upon which both agreed, seeking government support for their views.

Mr. Dennis McDermott began his career in the trade union movement in 1948 at Massey-Ferguson in Toronto. He rose through the ranks in Local 439, being as vocal on matters concerning the dignity of the individual citizen in Canadian society as he was on labour issues. The Toronto Labour Committee for Human Rights also received his attention and he is now a member of the Canadian Civil Liberties Association.

His involvement in international affairs, both in the U.A.W. and the C.L.C., led to his membership in the central committee of the International Metalworkers Federation, a world-wide organization based in Geneva, Switzerland, embracing about 13,000,000 metal workers in sixty-five countries. He has lectured widely on arbitration and labour law at universities and at the Labour College of Canada, serving a two-year term on the Ontario Labour Relations Board.

After he worked for fourteen years as an international representative for the United Auto Workers, numbering 150,000 in Canada today, he was elected their Canadian director in 1968. That same year he was elected a general vice-president of the Canadian Labour Congress, and in 1970, international vice-president of the U.A.W.

Last week he accompanied Prime Minister Trudeau on his visit to meet President Jimmy Carter in Washington.

Mr. McDermott is concerned that many after-dinner speakers on Canada's labour situation have never worked in a plant and that most have never worked at all. According to that criterion, perhaps I may just qualify, because prior to my acquaintance with the U.A.W. in Windsor as a summer student employee, I had the privilege of working on a dairy farm in Oxford where we put in two eight hour shifts per day — one before lunch and one after — six days per week with a few hours off on Sunday for church and Sunday school. But times change, and I was shaken one morning years ago when my son at the age of seven asked me: "Dad, are you going to work today or just talk?"

Ladies and gentlemen, I am most happy to invite Mr. Dennis McDermott to speak on the subject "Canada's Adversary System — Is There an Alternative?"

MR. MCDERMOTT:

Mr. Chairman, ladies and gentlemen: You should learn from that Windsor experience that it is easier to milk a dairy farmer than it is a dairy cow.

There is some concern, and a great deal of speculation about the so-called adversary system in labour relations here in Canada. A number of questions are being asked. Can it be improved? Should it be replaced by some other process? To this end, people are looking at the German co-determination system, for example, or the Swedish system, or some other likely experiment from the European scene. Our federal Minister of Labour, John Munroe, just a few weeks ago came back and appeared on the Canada AM Show, and even seemed to be enamoured by the British system. Ye Gods — he hasn't looked at it very closely!

I think it is well known and appreciated that the transplants of human organs are very delicate and very intricate operations. They are always hazardous, and sometimes they turn out to be fatal. One can say ditto about the over-simplification thesis that's going around now about the proposal of transplanting European experiments to Canada in the industrial relations scene.

Let's examine it, because people go over there and take a very fast look. For example, John Munroe was obviously attracted by the "Social Contract", but did not look at the rest of the spectrum. Then they come back here and make after-dinner speeches and propose that we adopt such a system here.

Let's take a look at West Germany for just a moment. The trade union movement in West Germany is a model. It didn't come about as a result of a group of workers struggling for recognition from Day One, the way it was here. Hitler destroyed the legitimate trade union movement in Germany. In the post-war years, the allied occupational forces and the allied government of Germany decided that, as part of the democratic reconstruction of Germany, a strong and viable and democratic trade union movement was a necessary linchpin in that whole structure. They in fact put together a trade union movement which is a model: a relatively small number of very large unions, with very broad bargaining scope, well constructed, without any of the inhibitions or anachronisms of the past. They put together a very strong labour centre in the D.G.B. They introduced works councils instead of legitimate trade union structures at the local union level, because at the local union level the input is not as important in Germany as it is here. The power is relegated to the top.

An indication of what I am talking about is that despite many of the attractive things about the German system, the facts are that about one third of the work force are organized in these trade unions at the worker level, about the same percentage that we enjoy here in Canada.

The unions themselves, because of this conscious and deliberate reconstruction, are staffed and run for the most part by professionals and intellectuals, who themselves are very closely aligned with and associated with the state government. And by the way, workers do not sit on the board of directors in Germany, as some of our correspondents will tell you. They sit on management boards, and there's a big difference between a management board and the board of directors.

The Yugoslavs do the same thing. They are perhaps even a better model for a lot of people. With respect to the worker input on the management councils, I have talked to them, and they say, "Yes, we have great input, Comrade, when it comes to deciding on a few more toilets, or when it comes to deciding on the extension of the parking lot. But when we are talking about manufacturing, when we are talking about the productive process, changes of model and design, the marketing system, then management makes up its own mind."

Another quick example is Sweden. The unions in Sweden are run from the top. Their collective bargaining is highly centralized. There is almost no input at the grass roots level as we understand it. And the environment, that peaceful environment that everyone envies so much in Sweden, has been created by forty-seven consecutive years of Social Democratic rule. It is a society which has cradle to grave social benefits, provided for the most part from general revenue and by the state. And so collective bargaining in Sweden is a relatively simple process and operation as compared to the highly complex and variable collective bargaining of the Canadian scene.

In Sweden, because of the environment that has been created, because there is not the excitement about the recognition of a trade union that there is in this country, well in excess of 80% of the work force are organized in trade unions, from all walks of life — farmers, teachers, bankers, professors, sales people, police, and even the military. The army, in Sweden, has a trade union!

So let's for a moment recap and see how many of these ingredients actually apply to the Canadian scene.

Consider Germany for just a moment. I talked about the way the German movement was constructed in the post-war years. Canadian unions do not have the same history and they are much more complex. Canadian unions are not monolithic. The Chairman mentioned the birth of that old society so long ago. It is very little different today, that same organization. And I don't make that as a disparaging remark. Canadian unions go back way into history, with a great many anachronisms and almost tribal conditions, which we may or may not like, but the fact is that they are there.

I mentioned the small number of unions with broad bargaining scope. It's the diametric opposite here. There is a multiplication of unions. They are diverse and very varied. The suggestion is that we should merge into one large viable organization. I don't know how easy it is to merge a corporation, but I know that because of all these ingredients it is extremely difficult to bring about the merger of trade union groups in this country who have very deep roots and whose traditions are very real.

I talked about a strong national labour centre in the D.G.B. We have a Canadian Labour Congress here, but it is not at this point in time a strong, effective, viable national labour centre. Why? Because most of the people who I am talking about, the various affiliated trade unions, are unwilling to surrender their autonomy and their authority in the same fashion as it is done automatically in Germany.

I am very much afraid that the works councils, which were introduced in post-war Germany, in this country would turn automatically into what we call company unions. They would be instruments of the employer, as indeed they were in Germany in the beginning. I. G. Metall, the metal trade union, spent a good part of the first twelve years of its existence striving to take over control and give some direction to the works councils that were created by the post-war legislation.

I said that the unions are staffed and run by intellectuals and professionals. In the Canadian trade union movement it is the total opposite. Most of us come from the ranks, as

I do, and the grass roots democratic input is very firm and very real. I don't think it would be possible to take that away from the membership of the trade unions in Canada, nor would I suggest that it should be taken away. The laws of this province, the laws that exist in the other provinces, and indeed the federal law are oriented in this direction, that the union begins with the workers, and that the workers retain the authority.

As to workers sitting on the boards of directors, the obvious question there is not only are *we* ready for it, but is organized management ready for it?

Let's take another look at Sweden. I said that the unions are run from the top. There is no way that can happen here. I can just imagine my going down to General Motors in Oshawa and saying, "From this point on, forget all about this vast and complex apparatus that we have put together, and all the skilled people that we've trained. From this point on, Dennis McDermott is going to do it for you." They would say, "Thank you, Dennis, with great respect . . . but no thank you."

So that cannot be duplicated here on the Canadian scene.

When I mention the social benefits in Sweden, that is perhaps even more pertinent. Here we have to bargain from the employer for the social benefits that are provided by the state in Sweden. The U.A.W.'s philosophy, at least, is that we always give them the privilege of paying for the full benefit, so that when it does get to legislative time they are much less inclined to join the insurance lobby and so on who are trying to persuade the government against it. The simple philosophy is that in a corporation there is a straight line from its heart to its pocketbook.

So collective bargaining in Sweden is very simple. Collective bargaining here is very complicated.

I mentioned the number of people who are represented in Sweden, the high percentage of organization. Of course, the diametric opposite is true here. Canadian unions are pretty severely limited in their scope for organizing. It mostly takes in manufacturing, recently more public service. But the service industries, and all the other miscellaneous elements in our society are for the large part not represented.

There is another very, very fundamental factor, which is present in Europe and noticeably absent here. That is the whole question of union status, union recognition, the whole business of the acceptance of unions as part of the structure of our society, their right to exist equally with other entities in the society. That argument disappeared a long time ago in Europe. That argument, unfortunately, flourishes here.

If I go to a cocktail party over there in Brussels, or Geneva, or anywhere, I am introduced as a trade union representative. They say, "That's interesting — what union are you with? What position do you occupy?" Here I have to spend the first two hours exploding myths and stereotypes and defending my very right to exist. I've developed a counter-argument. I first of all discover the occupation of the person who is trying to pin me down. I discover he's in drug manufacturing. I accuse him of selling narcotics to teenagers, ripping off the public, all that sort of thing.

He says, "Wait a minute, I'm not like that!" Then I say, "And I'm not Jimmy Hoffa."

Let me tell you a true story of a young man who came over here from Sweden just a couple of years ago from the Volvo Corporation. He thought it was the natural thing to do, since they were going to set up an automobile manufacturing enterprise in Nova Scotia, to come and talk to the automobile workers about certain pertinent things. How much money would they have to pay? What would be the general work conditions? What would be the expectations? What would be the contractual arrangements? And so on.

He arrived in my office, with a letter of introduction from a Swedish colleague of mine. He was very perplexed by the contents of the collective agreement. He said, "This is all state business." And then after a couple of hours' discussion, I explained to him that we couldn't come together by comfortable arrangement — that would be frowned upon. It would be necessary for us to go down and systematically organize the workers, and make application for certification. I called in my staff person who I was going to send down there, and he talked to this Swedish corporate executive for a little while. Then he called me outside and said, "What's his game? What's he up to?"

The Swedish businessman, after that, moved around Toronto making various contacts and talking to all the necessary people. Then he came back to me one week later, terribly confused and very upset. He said, "Apparently I committed the cardinal sin. I should never have talked to you in the first place. My Canadian colleagues say 'What in the world are you thinking of — talking to a trade union. One must *never* do that!' So now that I'm here again with you all I can talk about are the evils of socialism and the suicide rate in Sweden!"

That's a true story, not exaggerated.

After these observations, let me ask the question. Let's take a closer look at the adversary system. Has it served us well? Despite the ups and downs and the statistics that your chairman read out. Does it really need to be scrapped? Or is the more intelligent alternative to revise it, to rejuvenate it, to update it and improve it? And the supplementary question to that is, can it be done?

I think the answer is yes. And moreover, I believe the solution is a very simple one. It does not need hordes of academics off on long sabbaticals, studying the systems in other countries, examining the workers like anthropologists and biologists. The simple answer is a much more direct, more intelligent, continuing dialogue between management and labour at all levels, but particularly at the top.

Mr. Stapleton* and I, apart from the fact that we met today at this luncheon, meet once every three years when we sit down to indulge in collective bargaining for General Motors. On the very rare occasion where a relationship of mutual respect exists at the top between two people, one from the trade union side and one from the management side, that relationship has often been the instrument that saved the day in a difficult situation. I don't mean bargaining with the employer with a knife and fork, instead of the normal collective bargaining relationship, but I mean the opportunity to develop a relationship of mutual respect.

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* Arnold G. Stapleton, Director of Personnel, General Motors of Canada Limited.

Under our existing system, there really isn't much opportunity to achieve that. On the very rare occasions when I meet a corporate head, at a luncheon like this, or some seminar or dinner, we usually discover to our mutual delight that we don't have horns protruding out of our heads, that one is a normal human being like the other.

He will quite often say to me, "How did we get into that strike last year?" Because he really doesn't know. And I can usually relate to him that we got into that situation because a group of very doctrinaire sectarian people, small in number on either side, got into some semantic contest about whether to change the word "shall" to "will". Not "nay" to "will", but "shall" to "will".

The trouble is that the real heavies on the corporate side, the real decision makers, are shielded. They are insulated from the hurly-burly activities of the labour-relations department. They are usually shielded by over-protective industrial relations managers. Perhaps even more important, they are often kept totally ignorant of what is going on.

Let me tell you another true story that occurred just last week, down in Washington. We were having a cocktail party and reception at the White House. A person who is very high in the Carter Administration, a Cabinet Minister, came up and made himself known to me. He was formerly the president of a large corporation with operations both in the United States and Canada. He told me that I was a "very stubborn, determined man". We had had a confrontation with that corporation back in December in Toronto. It involved a very small group of people at one of their operations in Ontario, but they had many other operations in Ontario. It concerned a legal opinion. The corporation delegation came trooping into this hotel, by Sikorsky from Detroit, they came marching into my room, pin-striped suit, Brooks Brothers shirt, all the same kind of eye-glasses, all with sideburns the same length. Have you ever noticed how some of these corporate guys all look as if they came out of the same mould? Like cookies.

They too were very determined. We had an impasse, a stand-off. They went into great eloquent length about the character of this corporate head, the person I met in Washington, about how determined he was, and how he would never, under any circumstances, break the law.

I said that we had an equally determined and ethical person, and that "You're looking at him, and what we are asking you to do is *not* a violation of the law. Your legal counsel says it is. Our legal counsel says it isn't. Obviously we need another legal opinion."

To cut a long story short, we did get out of that situation. But my friend in Washington reminded me of it and told me they had fired their lawyer. "You were right, and we were wrong."

Then he made the following very important observation. He said, "You and I could have settled that over the telephone in about five minutes, couldn't we, but it just never occurred to me."

That's the significance of the statement — it just never occurred to him. Neither did it occur to me. He said, "We live and learn."

That's the kind of dialogue that I'm talking about. I am not seeking to embarrass anyone, but would you believe that I have never met the Canadian president of General Motors? I am the head of the U.A.W. here in Canada. We have the direct bargaining relationship with him. I wouldn't know him if I fell over him. I didn't know his predecessor. I know the president of Chrysler to look at him, because I bump into him at airports and places like that. He gets on first class and I go to the back of the bus. That's the end of that relationship.

Roy Bennett of Ford, who gets out into common circles a little more than the others, I meet at conferences and seminars, but I have never sat across the bargaining table with him. I watch the president of American Motors doing his TV commercials, but I've never met him either. Massey-Ferguson happens to be my *alma mater*. Not only have I not met the president, but I have never met the senior industrial relations manager. He refuses to descend from his ivory tower to meet the likes of me, who he calls "that snot-nosed kid from the machine shop."

My point is that industrial relations people are a different breed of cat. I suppose they are victims of their environment, the victims of the curriculum and the orientation process of the schools of business administration which we say produce gorillas in grey flannel suits. But they in turn depend more and more upon a supplemental army of so-called third-party experts—lawyers, academics, specialists, plus a whole array of rag tag and bobtail consultants. I'll let you in on a secret. If you ever find yourself unemployed, you have one of two choices. Start a new religion, or become a labour relations consultant. Both lead to great wealth.

In addition to all of this, you have arbitrators, conciliators, mediators, investigators, analysers, and a whole raft of full-time busybodies who incidentally make a fat living out of the ordinary differences which are bound to arise between organized management and organized labour.

Therein, I submit to you, lies the greatest threat to industrial harmony in this land. Here are the real beneficiaries of the adversary system — enormous personal benefit, little or no accountability. Some arbitrators in this province make in excess of $120,000 per year, dealing with a whole lot of relatively simple uncomplicated cases of discharge and discipline.

We must ask ourselves a couple of questions. Who promotes the adversary system? Who benefits from it? Certainly not organized labour. Certainly not the workers that we represent. If anyone thinks that a strike is a romantic experience, I suggest that you get involved in one on a practical basis.

The regrettable part of all this is that if you boil it all down, who really has more expertise than the two major principals in the act? Who knows more about their own enterprise and management? Who knows more about the aspirations and desires of their own people than a democratic trade union that is in touch and has dialogue with its own membership. Who stands to benefit from avoiding confrontation? Management on the one hand, labour on the other. Who has more accountability, who profits from industrial harmony more than organized management and organized labour?

I'm not suggesting that all these people are conscious and deliberate saboteurs, although some of them could mess up a one-car funeral. But they are sometimes a very serious inhibition for the principle parties to the conflict to get at their own problems, because the parties tend to farm out their responsibilities to these so-called experts. It is my submission that if management on the one hand and labour on the other were to really make an effort to measure up to their respective responsibilities, and show a collective willingness to solve our own problems, we could eventually bring about the wholesale dismissal of these third-party people. They will then have to find some other work.

To get at the very root of the adversary hostility, consider what happens when a group of workers applies for certification, under the labour legislation. It is something that is designed as a very simple process. They are immediately confronted by an avalanche of petitions, interventions, prescriptions of the bargaining unit who want to exclude Miss So-and-so because she has some area of confidentiality, the notion being clearly expressed that anyone belonging to or having a connection with a trade union is unworthy and disloyal. What absolute nonsense! What was originally designed as a simple process of certification becomes a nightmare. The animosities and the adversary system are firmly entrenched before they leave the cloistered halls of the Labour Relations Board in this country and before collective bargaining even begins, and the interlopers are firmly entrenched from Day One.

The cure is to forget about Europe. First, get the same kind of social latitude here that trade unions enjoy in Europe. They don't have to defend their right to exist. They are an acceptable, responsible entity. Get the bigotry out of our system. Afford to unions the same degree of status that we expect for ourselves.

Second, elevate the labour relations system to a higher status in the corporate hierarchy.

Third, appoint people to those very important endeavours without which the enterprise does not operate, appoint people of equal calibre to those selected in marketing, design, finance, and production.

Fourth, eliminate the third-party hordes. Let the two major principals assume the major responsibility. In other words, return the collective bargaining process to the people to whom it properly belongs in the first place.

Fifth, provide for more meaningful and on-going dialogue at all levels.

Sixth, eliminate some of the anachronistic rules and regulations that govern workers in their industrial society: "Thou shalt not do this, thou shalt not do that, thou cannot do this or that," all of which are designed on the supposition that the worker is lazy and dishonest and doesn't want to work in the first place. Create a society in the work place which is more akin to the society that the person enjoys for the other sixteen hours of the twenty-four in which he lives the life of a citizen.

Seventh, engage in wholesale reorientation of attitudes on both sides, with emphasis on the positive rather than on the negative.

Work at it steadfastly, work at it with some devotion, bring it about in our time. I am sure it will last for a long time, perhaps for all time.

The appreciation of the audience was expressed by Mr. Marvin Gelber, Honorary Treasurer of The Empire Club of Canada.

MARCH 10, 1977

Japan—Neither the Sword nor the Chrysanthemum

AN ADDRESS BY His Excellency Bruce Rankin, B.COM.,
AMBASSADOR FOR CANADA TO JAPAN

CHAIRMAN The President,
William M. Karn

MR. KARN:

Your Excellency, Your Grace, distinguished guests, ladies and gentlemen: I am sure that everyone who knows our guest of honour was proud to see, in our newspapers about a year ago, the picture of him with tall silk hat in hand, alighting from a formal horse-drawn state carriage (apparently rather small for a man of his stature), on arrival at the Emperor's Palace to present his credentials as Canada's Ambassador to Japan.

What a startling contrast to his unceremonious departure from our Canadian Consulate in Shanghai in 1950, from which he refused to withdraw in spite of repeated orders from Ottawa, until his frequent cables obtained permission to also evacuate his loyal native Chinese staff. To have left them behind to the advancing military forces at that time would have been signing their death warrants, he thought.

And also, what a contrast with that dynamic Canadian Deputy Consul General in New York from 1959 to 1964, dashing north from Manhattan to his Westchester home in a gleaming diplomatic Thunderbird at the end of a strenuous day's work.

Our guest speaker today is a native of Brandon, Manitoba. After earning a B.Com. degree from the University of Alberta in 1941, Bruce, like many prairie men, joined the Royal Canadian Navy Volunteer Reserve, being discharged four years later as a Lieutenant-Commander.

He then obtained a position in the foreign service of our federal government and from 1945 to 1976 performed brilliantly in ten posts, with one year out for study at the National Defence College in Kingston. His foreign appointments have taken him to Sydney, Australia; Shanghai, Bombay, Madrid, Berne, and New York, before his elevation to the rank of Ambassador in 1964. In this capacity he served first in Venezuela and concurrently the Dominican Republic.

However, New York could not get along without him and during 1966/70 he was the Canadian representative on the Economic and Social Council of the United Nations, and for the next six years Ambassador to the Second Committee (economic and financial) of the U.N. General Assembly. Moreover, he had the honour of chairing that committee in 1972.

To send Bruce Rankin, the polished diplomat, experienced also in trade, to Japan in 1976 was an astute move on the part of External Affairs. By 1975, our bilateral trade with that country had reached $3.3 billion, $2.1 billion being Canadian exports and $1.2 billion Canadian imports. Japan had emerged as Canada's second largest national trading partner, next to the United States.

And Japan, along with the U.S.A. and the European Economic Community, will determine the outcome of the Tokyo Round of the General Agreement on Tariffs and Trade (GATT), currently hotting up in Geneva, at which ninety-seven member nations, including Canada, are negotiating.

I feel most indebted to Bruce for honouring us today, the more so because last September, prior to Prime Minister Trudeau's visit to Japan, we had to regretfully decline a request from Ottawa to program a meeting for him.

Since his arrival in Toronto, on this occasion, His Excellency has been swamped with requests for appointments.

He began this week by appearing at 7:40 a.m. at the suburban studio of CTV for their "Canada A.M. Show".

I am intrigued by his suggested topic, and well recall that one Japanese company with which I have negotiated but have done no business, measures its corporate history over three hundred years in its brochure by periods of national warfare, whereas another highly valued customer, with whom we negotiated for three and a half years prior to an impressive contract-signing ceremony televised from the Imperial Hotel, had as its commercial director a gentleman whose hobby was developing chrystanthemums.

Ladies and gentlemen, I am delighted to invite my good friend, His Excellency Bruce Rankin, Ambassador for Canada to Japan, to speak to us on "Japan — Neither the Sword nor the Chrysanthemum".

HIS EXCELLENCY BRUCE RANKIN:

Having seen the list of your other speakers during your current program, it was with some nervousness that I set about selecting a theme for my remarks today. Many ideas relevant, substantive and worthy of treatment came to mind and, indeed, I listed a great number of them but decided that each in turn provided a topic in itself. I also had to remind myself that I was not in the process of giving a six-week seminar on Japan, and that I had but one opportunity of speaking to a very prestigious and distinguished audience in Toronto.

It seemed logical, of course, that I might well have spoken about our trading relationship with Japan, but then I realized that my audience would already know that Japan is our second biggest trading partner, that our total trade is over $4 billion, and that it renders a favourable balance for Canada in excess of $1 billion, equal to the overall favourable merchandise balance in our global exchange of goods in 1976.

I also thought that in this context I might well speak to you about the market itself, and yet I recognized of course that this audience would know that Japan is virtually totally dependent on its imports of energy and natural resources, and that the skills and hard work of the Japanese people in turn produce and market around the world the results in the form of highly manufactured goods. Indeed, you will already be aware of the considerable outcry in recent months by the Common Market, from the United States, and from Australia, at their trading relationships with Japan, and that Canada stands alone as a major trading partner that is not crying foul in our interchange of goods.

This is not to say of course that we are not actively engaged in improving our economic relationship with Japan. We have been working on this intensively for the past three years. Indeed, you will know that the Prime Minister visited Tokyo last October and signed the framework for economic co-operation, which embodies the principles of a new relationship with Japan in the sense that we are looking for a better mix in our exports — the upgrading of our raw materials and easier access to the Japanese market for our manufactured goods. The framework also gives promise of a new era in terms of joint enterprises, of investment opportunities and of an exchange of science and technology.

But then it occurred to me that this audience would already be aware of these developments and would know, for example, that Japan represents for Canada our largest single market for agricultural produce in the world. You would already be aware that Japan represents a domestic market of some 110 million well-educated and well-paid people. Indeed, you may have known, that their high standard of living results primarily from their own domestic market and not from their role as an exporting nation. Some 13% of Japan's gross national product results from their exporting position. Almost half of that of Canada.

I thought I could well speak to you today on how to do business in Japan and I started to make some notes. Obviously, I started off with a description of the consensus process of arriving at decisions in the Japanese community. A slow and painstaking process, it starts at the lower scale of management or the middle management level and gradually works its way up to top management, with each participant's chop mark carefully placed on the appropriate piece of paper. Until consensus is reached within the Japanese community itself or within an individual company or indeed within government, negotiations cannot proceed very far, a process which when not well understood by westerners can be frustrating as well as time-consuming, a subject for a speech all on its own.

I thought it appropriate at one point to prepare my remarks on the complicated distribution system of Japan. The methods of marketing are so complex as to baffle the best minds. Indeed, on one occasion when I said to the chairman of one of Japan's largest trading companies with offices in Canada, "Why don't you source in Canada and arrange to market Canadian products in Japan and thereby overcome the complications to Canadians of the distribution system," he replied, "I don't understand the distribution system myself." Suffice it to say on this occasion that depending on the product, it is not unusual to find two, three, four or five levels of wholesalers before goods reach the retailer.

Then, any speech that I might have prepared on how to do business in Japan would of course have to refer to administrative guidance, that remarkable and unique system, unique indeed to Japan, where all levels of society, government and business, can quietly close ranks and decide what shall be done or what shall not be done — including, I might add, the import of goods from abroad. There is nothing in writing. The system is mysterious but most effective. It is indeed Japan Incorporated. It is to be recognized that what is deemed to be the national interest prevails over all else. Individuals and individual companies and individual industries will subordinate their own interests if it is determined by the consensus system I referred to earlier that it is in the national interest. At this stage of Canadian development we have something to learn from this attitude. Before you make your first visit to Japan, it is important to know that "yes" means "I understand", not necessarily "I agree".

Another subject which I also thought might be of interest would be the remarkable industrial emergence of Japan from the ashes of a devastating war. It is already well-known to you that the Japan of today is indeed a "miracle". While there is recognition now that Japan is moving into a new era and that slower growth rates will be the thing of the present and the future, and while I would be the first to recognize the greatly improved attitude and atmosphere *vis-à-vis* the trading relationship with Canada, some of the old approach still automatically emerges. Not too long ago at a meeting with two very senior Japanese government officials, when we were reviewing the economic framework, I mentioned towards the end of our conversation that I had been very pleased to learn only that morning that a small Canadian speciality manufacturer had managed to take an order for $80,000 of outer shirts during his visit to Japan. One of the officials from the Japanese government, without a moment's hesitation, said "Why aren't they made here?" My response, just as quick and immediate, was "Damn it, you don't have to make everything!"

I gave considerable thought to speaking to you today about some of the developments over the year that I have just completed during my first year in Japan. I thought I might well dwell on our nuclear energy prospects. Japan, as you know, imports already half of its uranium requirements from Canada and we are now actively negotiating safeguard agreements which will permit the continuation of that valuable trade. The prospects of selling CANDU to Japan are good. The long period of consensus and the investigations on which such a consensus can be based determining CANDU's suitability to Japan, *vis-à-vis* earthquakes and other safeguard requirements, have been underway for the last two years. We anticipate a favourable result within the next year or so.

At one point it seemed appropriate to take this opportunity to talk about Japan's financial situation — a savings rate of over 20% which in turn has helped fuel industry; debt/equity ratios of 90/10! — foreign exchange reserves of $16 billion; the last budget and its mild stimulus through a modest tax cut and some expansion in public works spending.

The Japanese political situation would be of course a subject all on its own. Suffice it to say that many political observers think that the drop in support for the ruling conservative LDP party at last December's Lower House elections will be reflected in a possible overall loss of a majority at the upcoming Upper House elections this July. Nevertheless, the swing away from the LDP has been in support of other relatively conservative opposition parties.

As management/labour confrontation and our strike record in recent years looms large, it seems to me, as one of our major problems, the Japanese experience might well be looked at in some detail. The lifetime employment principle, the company union structure, the 5½ day, long hours, working week.

The Makita Mission — a dozen or so top Japanese industrialists — visited Canada last fall. On their return, I met with them. While they still look at Canada as a reliable supplier — I took the opportunity to stress a reliable supplier needs a reliable buyer — they nevertheless expressed concern at our strike record, FIRA, federal/provincial relations — particularly taxes and royalties, etc. — transport, and of course the Quebec election results. The Japanese business group would like to see the formation of a Canadian organization of business leaders with whom they could work and consult on a regular basis. A lot of other countries, including the U.S.A. and Australia, have used this type of association most effectively with the Japanese.

I hope that the Canadian business community will respond positively to this proposal.

Then I decided that instead of trading and economic topics that I might well stress our new efforts in Japan in broadening and deepening our relationship. The process has been underway for about three years, highlighted by the signature of a cultural agreement with Japan during the Prime Minister's visit last October. The government has set in place in Japan a very active public affairs program. The provision of information about Canada that is being made available to the Japanese media is growing by leaps and bounds. Our tourism is also growing very rapidly; indeed, last year we recorded some 109,000 Japanese as visitors to Canada. They are good tourists. Not only do they utilize our hotels, restaurants and transportation system but they are buyers, great shoppers, spending approximately $80 million in Canada in 1976.

In the same context, we now have underway a considerable exchange in the academic area. We have established Canadian studies programs in several of Japan's leading universities. We have a number of Japanese scholars in Canadian institutions of higher learning. We have already a considerable cultural exchange, from Canadian symphony orchestras to peewee hockey teams from North York, visiting Japan.

There are so many aspects of our relationship with Japan or about Japan itself to make a topic or topics for speeches to Canadian audiences. To the appropriate audience, the educational system in Japan is one of immense fascination. Entry to the appropriate university where entry itself is a stamp of future success is the eye of the needle, that is looked at by each parent when the child is born, and requires all the skill of every mother to make sure the child first enters the right kindergarten, a stepping stone to the right elementary school, and in turn to junior high school, and then the all-important high school from which the university entrance exam will be written. The trauma and pressure this system brings to bear is beyond our comprehension.

So much for the topics that I decided not to choose today.

Let me briefly refer to another dimension. That is the partnership we enjoy, Canada and Japan, in an interdependent world. In this troubled world, Canada and Japan are bound both to the rest of the industrialized world and to each other. First, we are both industrialized countries. Second, we both depend to a large extent for our own prosperity on the expansion of world trade and the peace and stability this requires. Third, our economies are in many ways complementary, which makes us natural trading partners for many things. Fourth, we have voices, which when raised internationally, are listened to, although Canada's voice has been heard more loudly and more often for its size and importance than has that of Japan in the post-war era. Fifth, we have both eschewed nuclear weapons as an option for our national security. I could go on some distance further but you get the point. These similarities presumably should lead our two countries to be natural partners bound by respective self-interests and united in seeking to achieve the finest objectives of the international community. Right? Wrong!

Certainly, we are partners. Certainly, we are important to each other. Just as certainly that relationship has been expanding and strengthening, particularly in the last few years but that is not to say that it is either an easy relationship or indeed a natural one. For all the elements that bring us together, there are many which have to be overcome which would otherwise keep us apart — the mainstream of our histories, the geographical distances which will always separate us, very distinct cultural differences and a very different concept of nation and self. To remove these obstacles to understanding and co-operation is difficult, requiring patience and much hard work; keeping those obstacles out of the way once they have been removed requires just as much patience and probably even harder work.

In my earlier remarks I have alluded to a number of differences. There are other more general contrasts which serve to point up the anomaly that is Japan — the westernized urbanized veneer and the depth and strength of a homogeneous history and culture. Where else in the world does the man at the train station wicket arrange every detail of your trip down to the actual seat number across the country by computer and then verify the cost on his abacus? Where else but the land of the walkie talkie and the transistor radio do you find firemen patrolling neighbourhoods, communicating an "all's well" to other members of the patrol by clapping together hardwood sticks?

I am quite certain that I shall never have more than a modicum of understanding of this great land of contrasts which is our second largest single trading partner and a nation which can and must play a broad and important role on the world stage. I firmly believe, however, that the frustrations and difficulties of the relationship are overwhelmingly outweighed by the rewards which continuing broadening and deepening will bring.

You may well be saying to yourselves, "What is all this about anyway? O.K., we are trading partners and likely to continue to be so, with a preponderance of Canadian raw materials going to Japan and Japanese manufactured goods coming to us. What more is there likely to be beyond that? They are big and we are not so big. They are far away and in a different environment, while our faces turn south to the United States or to Europe."

These feelings are natural, but they do not take an analysis of the relationship far enough.

Most importantly, in a world of close inter-relationships among the industrialized countries, we do have things to give each other and about which we can support each other, despite the disparity of our economies and our populations.

For its part, Canada has played an active and constructive role on the international stage since the end of World War II. For a part of that time our influence on world events was undoubtedly disproportionately large to our intrinsic importance in the global scheme of things. From these years we have brought away an expertise and an appreciation of the international dimension of our existence of which I think we all, as Canadians, can be proud.

The same is not true of Japan. Since 1945, Japan and the Japanese have centered their considerable energies and intelligence on remaking their country. That they have succeeded so well is clear to any visitor to the modern and prosperous Japan of the mid-1970's. On the other hand, Japan's forays into international life since the war have been hesitant and relatively infrequent, unless the issue was economically related or of direct interest to the security of the Japanese homeland.

We can learn from each other. From the Canadian experience, the Japanese can learn that the wider objectives of international peace and security must be pursued relentlessly, despite frustrations and setbacks. From the Japanese, we might do well to gain a deeper appreciation of the sense of national purpose and devotion to their homeland which is so often so very evident — and here so often so very lacking.

No set of remarks such as this would be complete without a reference to the third option. Canadians dealing with Japanese affairs think of Japan as the other pillar, along with Europe, of the third option policy. The priority and effort which has gone into the development of our relationships with Japan and the speed at which the relationship has flowered, having found a receptive and willing audience, is an attestation to the fruitfulness and the correctness of the direction we have chosen to take. But I for one do not in any way think that this searching out to diversify relationships is by any means a one-sided thing. Without wishing to overstate the point, it is nevertheless true that a strengthened and active relationship with Canada can provide a "third option" for Japan, and one which I believe Japan will find more and more desirable as the century continues to unfold. Indeed, Japan as an Asian nation and a member of the western industrialized community has a foot in both camps but is not sure it belongs to either.

Anyone out there who is from Missouri is probably at this point querying the validity of my last statement. The query is valid but, I think, so is the statement. Japan and Canada, besides their own relationships, both share a unique relationship with one third party — the United States. I need not dwell on the strength and importance of that relationship to Canada but you may be interested in a few words on the relationship of the United States with Japan. In fact, since the war, one could pick up many similarities between the Canadian and Japanese relationships with the U.S.A.

Many of the blueprints for Japan's recovery are clearly stamped "Made in U.S.A." In slightly different terms of risk capital, this is the situation in Canada. Our co-operative arrangements for security not only in Europe but in North America itself, through NATO and NORAD, the Japanese duplicate with their security treaty with the U.S.A. Prime Minister Fukuda has recently reaffirmed the primacy of the importance of Japan's relations with the U.S.A. but it remains evident for all to see.

In these circumstances a diversification of relationships is probably not only desirable but necessary. Sharing in common a democratic government, and similar ideals with respect to peace and security in the world, Japan and Canada can offer each other much in expanded consultative arrangements which will go beyond the solid and important foundations of commerce and economics to the delicate and more volatile issues of peace and security. Of necessity, Japan's role on the international stage will grow until it matches the country's economic importance. It is the responsibility of like-minded countries like Canada to share its experience on the stage in encouraging such growth.

This way is not easy for it requires the breaking down of reticence and, often, deep misunderstandings on both sides. Nevertheless, I firmly believe that it is worth pursuing. I am convinced that Canada has only begun to strengthen its economic relationship with Japan and that opportunities of immense potential exist today in the areas of trade, investment, joint ventures and technological exchanges. However, as Prime Minister Trudeau pointed out while in Tokyo last year, it will be up to the private sector to a large extent to follow this path.

The framework for economic co-operation is an invitation to those of you gathered here today, and to your Japanese counterparts, to seize the manifold opportunities for advantage which our two governments have identified. The Canadian government, through its offices in Ottawa and its Embassy in Japan, is prepared to assist you in seeking these new opportunities. I believe imaginative persistence on your behalf can foster generous rewards in the future.

The appreciation of the audience was expressed by Mr. John A. MacNaughton, Third Vice-President of The Empire Club of Canada.

MARCH 17, 1977

Four Months Later

AN ADDRESS BY The Honourable Jacques Parizeau,
M.L.A.,
MINISTER OF FINANCE AND
MINISTER OF REVENUE, PROVINCE OF QUEBEC

JOINT MEETING The Empire Club of Canada
The Board of Trade of Metropolitan Toronto

CHAIRMAN William M. Karn, President,
The Empire Club of Canada

MR. KARN:

Mr. Minister, Reverend Father, distinguished guests, mesdames et messieurs: C'est avec plaisir que j'ai le grand privilège de souhaiter la bienvenue de votre part à l'Honorable Jacques Parizeau, Ministre des Finances et Ministre du Revenu de la Province du Québec.

In 1844, a group of Toronto citizens, including Mr. John McMurrich, concerned with the economic development of this community, formed the Board of Trade. Today, 133 years later, its successor organization continues that finest of traditions of its founders. On behalf of its 15,400 members, it is making a significant contribution in shaping not only the commercial growth of this region, but also the academic and cultural achievements of its institutions, and the quality of life of Canadians of diverse heritage who represent the life blood of this ever expanding metropolitan region. And our areas of interest reach out to the extremities of Canada as a whole.

Since 1903, within the framework of this prosperous, thriving environment, The Empire Club of Canada has played a commendable role in providing a public forum and publishing, through the Empire Club Foundation, the addresses of statesmen from coast to coast and around the world for the benefit of present and future generations of Canadians. In keeping with this objective, we have been honoured this year by speakers from Prince Rupert to St. John's, Newfoundland, from Peking and Tokyo to Washington and London.

We seek to be informed not only upon national but also upon international issues, and through this mechanism we hope that we may be able to make some contribution to the strengthening of Canada in particular, and that Canada in her turn may continue to make some contribution to the strengthening of the world in general.

It was therefore only natural, as I advised our weekly audience on November 18th, that we should invite the Honourable René Lévesque, Premier of la Belle Province, to honour us with a visit, and acquaint us with the objectives of his newly-elected governing body in that much respected neighbouring province of Quebec, as has been the custom of his predecessors, six of whom have addressed our club.

Arising out of that request and parallel approaches by the Board of Trade of Metropolitan Toronto was the very generous offer of the Honourable Jacques Parizeau, Ministre des Finances et Ministre du Revenue, to come to this financial centre to discuss with us matters of great significance to our collective future well being.

We are delighted to join forces today with the Board of Trade of Metropolitan Toronto to provide the Honourable Mr. Parizeau with an influential audience, representing the broadest possible spectrum of financial, commercial, political, professional, and academic activity in this heart of Ontario.

Our guest of honour is eminently qualified for his present responsibilities. After obtaining his Bachelor of Commerce degree from L'École des hautes études commerciales at the

University of Montreal in 1950 he earned degrees from l'Institut d'études politiques de Paris in 1952 and a doctorate in economics from the London School of Economics in 1955.

He then returned to his *alma mater* in Montreal as a professor and from 1961 to 1967 also served as a consultant on economic and financial matters for the Quebec cabinet. This led to his appointment in 1967 as an advisor to Premier Daniel Johnson.

His political philosophy agreed with that of le Parti Québécois which he joined in 1969, serving as its president in 1970 and 1971. He won the seat of l'Assomption on their behalf on that memorable day, November 15th, 1976.

Mesdames et messieurs, c'est vraiement un honneur de vous présenter l'Honorable Jacques Parizeau, Ministre des Finances et Ministre du Revenue de la Province du Québec.

MR. PARIZEAU:

Mr. Chairman, ladies and gentlemen: It is somewhat reckless to present, in a few minutes, a sort of overview of what has happened in Quebec over the last four months. However, I suppose everyone recognizes the importance of the election that took place on November 15, and we will probably need, every few months, both inside and outside Quebec to survey the paths followed and the views ahead, until such time as a political conclusion is attained. I recognize, of course, the difficulties involved in the sort of survey I just announced, and needless to say, there are inevitably strong personal biases in what I am going to say. There is no way for me to be impartial, no more than there is for those directly involved in the present discussions.

There have been an incredible number of diagnoses of the electoral victory won by the Parti Québécois and of the meaning of that victory. It is not a simple matter. The idea and the goal of political independence are fairly recent in Quebec. During the early 1960's, at a time when Mr. Jean

Lesage was making profound inroads into the powers and the resources of the central government, the independence movement, while very vocal, was in fact limited to groups. In 1966, two separatist political parties fought the election and while they mustered together less than 10% of the vote, they were instrumental in Mr. Daniel Johnson's victory. However, it is only in 1970 that the Parti Québécois took part in an election, and at one blow got 23% of the vote. I think all commentators were aware that the independence of Quebec was at the very centre of that election. At the next one, in 1973, the campaign was run essentially on the economic consequences of independence. The P.Q. got 31% of the vote. Then came the election of 1976.

Present interpretations would have it that the independence of Quebec was not the main issue. It is true, of course, that as far as the Parti Québécois was concerned, the issue of good government took precedence, and the achievement of independence was directly linked to a referendum. This, however, did not impress the government of the day. Its campaign was squarely built around the theme of "No to Separatism". And it was a washout. If some people find today some consolation in the thought that pro-separatists did not win, they must also recognize that anti-separatists quite explicitly lost.

In fact, this kind of analysis is pretty futile. The Parti Québécois is linked to the idea of independence in the minds of all. Its objective has not changed now that it's in power. And for those who might have doubts or hopes to the contrary, the New York speech by Premier Lévesque was as clear as it possibly could be.

I recognize, of course, that every utterance of every spokesman of the present government is scrutinized to see whether there cannot be here or there a semblance of withdrawal from the main objective. We have seen an example of this as late as last week. Yet this is wishful thinking. Something that started more than fifteen years ago is now coming slowly to fruition. The referendum is the next step, and politics in Canada for the next two years will be dominated by that event.

Indeed, in some financial circles, the New York speech was considered as foolhardy and reckless. According to many, the Parti Québécois should have, for a while, avoided two issues in its public presentations: its social democrat platform and its objective of independence. Only in so doing could confidence in Quebec's credit and economy be maintained.

With respect to social democracy, it was fairly easy to give reassurances to those who felt that what was intended for Quebec was some sort of Cuban experiment. One could show, by simply falling back on the explicit P.Q. platform and political program, that a lot of what was proposed were forms of modernisation that in one shape or another can be found in other provinces or at the federal level. Why, for instance, could Ottawa reasonably embark on the reorganization of the aircraft industry or in Petrocan, or Saskatchewan in the control of potash mining, while an analogous operation with respect to asbestos in Quebec would be considered as dangerously Bolshevik? Similarly, the sort of ideas that the new government has with respect to automobile insurance are not precisely original in the present Canadian context. And the political mileage made in some quarters with the recent rise of the minimum wage in Quebec corresponded to a hike of 4.5 per cent from the level established by the previous government.

All of this can be explained easily and some early apprehensions have withered away over the last couple of months.

The issue of independence, however, has remained very much at the forefront. How easy it would have been to avoid a spread between Quebec and Ontario bonds, if only one could have been silent on that distasteful political question! How forthcoming money would have been! How much more secure everyone would have felt!

There was just one snag to this kind of pressure. Every time the government has changed in Quebec, the bottom has dropped out of the market for Quebec bonds for a few months, at least in Canada. The worst spreads between Ontario and Quebec have not been since the P.Q. took power, but rather oddly at the time of the advent of Mr. Bourassa's government. For those who came to power in November 1976, this was well known.

The risk was with respect to the New York market and the January speech. In the U.S., there never had been systematic and politically significant spreads between Ontario and Quebec. The considerable success, early in January, of the public loan floated in Germany, showed that in effect, the political objective could be clearly stated without dire consequences. Thus, while it is true that after the New York speech, spreads in the U.S. between Quebec's bonds and those of other provinces climbed significantly, disruption was not to be expected, as long as the Quebec government acted in a financially responsible manner.

And that, of course, it has tried to do over the last few months. The drawn-out quarrel between the provincial authorities and those of the city of Montreal over the latter's short term debt for the Olympic games was settled right away. The objectives set for the next budget have been marked by considerable prudence. Social programs that were announced were limited in scope as well as in costs. In financial dealings with the federal government, Quebec readily accepted to abide by the rules set by the other provincial governments, with respect to fiscal arrangements.

While the word of the day was uncertainty in so many financial circles, the Quebec government has managed to complete the huge borrowing program it had inherited from the previous government for 1976-77, and preserve at the same time the considerable advance in borrowing that Quebec Hydro had achieved. Spreads on the bond market, both in Canada and in the United States, have started to fall slowly but significantly. Moody's announced last week that the AA rating for the Quebec government and Quebec

Hydro had been maintained. Uncertainty was, maybe, less dramatic than most had thought.

Over the last few weeks a new theme has started to circulate, which is, in a sense, much more potent and in any case more interesting. It runs as follows: if Quebec becomes independent, it can in no way count on an economic association with Canada. The reaction would be far too severe in Canada for such a kind of proposal to be acceptable. If this were true, it would be indeed rather serious. The Quebec market is a small one. It has always been assumed that, should independence come, a customs union would be maintained between Canada and Quebec. Other aspects of an economic association have been discussed, such as a monetary union. But while such other aspects might be useful or simply convenient, none had the crucial importance of a customs union.

According to recent commentators, a number of industries important to Quebec such as textiles, clothing, shoes or furniture are highly protected by the Canadian tariff. Canadians would not accept, if Quebec became independent, to shoulder the burden of such protection. Thus Quebec would have to fall back on its own market and its own resources.

One cannot avoid the thought that such an argument, while possibly excellent as a political threat, is pretty bad economics. Tariff barriers between Quebec and the rest of Canada might not hurt the west very significantly but they would produce in Ontario intolerable losses, just as they would on the other side of the Ottawa river. The argument as to which province would be hardest hit, is academic. Both would be in a frightful way. And so, of course, would be the economy of the Maritime provinces. Free passage of goods and people is the only way out of this situation. It is not only a wish, it is a fact of life.

We, on both sides of the Ottawa river, are condemned to be reasonable. Montreal and Toronto live, economically speaking, like each other's suburb, and on both sides a number of plants have been built and tooled to produce for both markets. No amount of political squabbling will obliterate that fact, and corporations will be the first to bring governments back to ground level, if they ever tended to forget the basic realities. While it is perfectly legitimate and, in fact, essential, that various scenarios of economic association be examined and studied; while one can also understand that some people refuse flatly to get involved in such discussions, because it would be an implicit recognition that the independence of Quebec is possible, I feel that at least on the basic issue of a customs union there is not very much that one can add to the acknowledgement that there is no easy path around it.

Be that as it may, the simple announcement of a referendum during the first mandate of the present Quebec government would, in itself, be a factor of uncertainty that would induce investors to postpone new projects in Quebec until such time as the political future has become clearer. A number of observers are convinced that this is true and, as far as they are concerned, this reluctance to invest should keep a low rate of growth of the economy for a few years.

Theoretically, there is something to be said for this kind of approach. Yet present circumstances are such that the rate of growth in the near future should not be as low as has been expected. In fact, it might be higher than had been assumed two or three months ago. There are reasons for this.

Three very large industrial projects are presently under construction that are directly linked to government initiatives. The purchasing policy adopted by the new government is already having some effect. But, mostly, because industrial investment has been so low lately, some increases in capacity, at least in certain sectors, were forthcoming. Furthermore, after a period of acute housing shortage in Montreal and other cities, an increase in housing investment is inevitable. And finally, some fairly limited shifts in public expenditures away from highly capital intensive projects, such as major highway construction, towards more labour intensive public projects particularly in agriculture, forestry and municipal works, should improve economic performance in a number of outlying areas.

There is no great merit in such results, but those who expect that investments in Quebec for 1977 will show clearly the results of political uncertainty will be surprised by the investment plans when they are released by federal authorities in a few days.

In fact, one has to recognize that external investment in Quebec over the last few years has not been the backbone of the economy. Three quarters of all industrial new jobs were created by small and average size companies, usually home grown. In the same way, the recent bond issue of the government of Quebec was sold essentially to Quebec accounts. In fact, most of whatever growth there is in the economy is due to domestic sources. To assume that such sources of capital and entrepreneurship are highly mobile is largely the outgrowth of the simple economic models that enchanted our youth when, in the blessed atmosphere of the universities, we were all introduced to the delicacies of Ricardian economics. In practice, that kind of entrepreneurship is not mobile at all. It becomes so only when it has reached a certain threshhold, a given size.

Insofar as the new government tries to create an atmosphere conducive to labour peace, is committed to a certain prudence in the use of public funds and therefore of taxes, and sticks to the rules of the game that help rather than hinder the local entrepreneur, there should be no major problem in the growth and development of the Quebec economy. And, obviously if the local entrepreneurship is prosperous, external capital will, in addition, be forthcoming.

Threats of withdrawal of capital from Quebec at the present time can be useful for some groups as a political weapon. But as an economic instrument, they are largely worthless. There is nothing to be gained by assuming that the fall in property values in Westmount is a national crisis. If it means that French Canadians can buy such properties at bargain basement prices, they certainly will not complain.

Similarly, insurance companies which think it is a worthwhile proposition to gather premiums in Quebec and invest them outside, are going nowhere. Either with the help of a recent Supreme Court decision, the Quebec government can pursue its efforts to establish a specific relationship between actuarial commitments and local investment, or else that relationship will be established once Quebec has become independent, and, at that crucial time, an inflow of capital will be forthcoming if such companies still wish to keep their business in Quebec.

And in any case, all such discussions are of limited importance in relation to that momentous decision that will have to be taken shortly with respect to pension funds. As we all know, in 1964, the federal government proposed a pay-as-you-go formula for what became the Canada Pension Plan. The Quebec government at that time, led by Mr. Lesage, insisted on a fully-funded formula. As is usually the case, we finally came to a compromise. The Canada and Quebec pension plans would be partially funded. The obvious result is that we are now reaching a point where contributions must be raised and therefore where an additional slice of private savings must be channeled to the public sector.

The province that first raised this issue was Ontario. And it is obvious that Quebec will follow suit. Our own pension fund is geared not only to the purchase of government, municipal and Hydro bonds. It is also the largest portfolio of common stocks in Canada and plays a significant role in mortgage funds. Thus any decision to increase money available to the Quebec Pension Plan also increases money available for the financing of corporations, and reduces calls on the bond market by the government.

One can accept a lot of what I have just stated and still have serious doubts as to the viability of an independent Quebec. After all, governments in our day have ways and means of weathering a temporary crisis. But what about longer term perspectives? Can an independent Quebec manage without the financial and fiscal help that few people doubt it has managed to derive until now from Confederation?

In a sense, this is the crux of the matter. This is the sort of thing that should have been discussed over the last few years. Unfortunately, it has not yet been properly analysed.

Two statistical series are, in this respect, absolutely crucial. The first has to do with the taxes that Quebecers pay to Ottawa and the expenditures that the federal government incurs in Quebec or for Quebec. The second set of figures has to do with the balance of current accounts of Quebec with the rest of the world.

The first series should show whether by withdrawing from Confederation, Quebec will lose the net contribution that Ontario, Alberta and British Columbia feel certain that they are extending to the so-called "have not" provinces. Equalization payments have symbolized for quite a few years that contribution.

The second series should show how well or how badly the Quebec economy and its own currency (if it had one) would manage if independence occurred.

Both series normally come out from (Quebec) national accounts, or should I say "provincial" accounts. While they have not often been discussed in English Canada until recently, they both have been the object of violent discussions in Quebec. At the time of the 1973 election, the national accounts for Quebec which had been computed for ten years (from 1961 to 1971) and had not been published, were stolen and thus made public.

What they revealed was that Quebec had for nearly all years, received less from Ottawa than it paid to Ottawa in taxes. Furthermore, Quebec balance on current accounts had nearly always shown a surplus, and a very sizeable one at that.

The reason put forward by the federal government for not publishing the complete series was that the results were incompatible with those of other calculations (the input-output tables) and thus that statistical reconciliation was needed. Some figures were made public, others never were.

A little later, the prime minister of Quebec forbade any further calculation of such series. He reacted more or less as if the prime minister of Canada, threatened politically by inflation, forbade the calculation of the cost of living index.

The Quebec premier should not have been that nervous. It became obvious by the end of 1973 that the oil crisis was changing the general picture. Eastern Canada was now getting subsidies on the price of oil imports that would show that Quebec was getting more from Ottawa than it sent in taxes there, even if this additional inflow was of a temporary nature. Because of the large increase in the price of imported crude, the balance on current account should, normally, show a deficit as is the rule for most countries that do not produce oil.

Be that as it may, the federal government got into the statistical act. Provincial accounts were drawn for all provinces. And the figures are now ready to be published. All eleven governments know what they look like and it is now a matter of weeks before they become available. What *Maclean's Magazine* has tried recently to drum up is really a rough and incorrect sketch of what all governments will be comparing later in the spring.

Somewhat on purpose, I have been rather technical. I hope that, at this point, it should be quite clear that there are specific reasons for this. I feel that over the last few weeks, a great deal of emotion and needlessly vague statements have been flying around. Canada, in all of its parts and through all of its constituent elements, has until now been fully scrutinized. Few countries in the western world have such a well trained and technically expert civil service. There is no reason, really, why we should react to a new political situation as if, suddenly, we were confronted with a vacuum of facts and figures. Politicians cannot react as if they were taken by surprise. The inner workings of Confederation are well known.

In conclusion, I cannot avoid recalling the anxiety of Premier Roblin requesting in the middle sixties some set of natural priorities, the need of which was quite obvious. I cannot recall without some pain the remarkable understanding of Quebec that Premier Robarts could muster in critical situations. Premier Lesage was a staunch federalist and so was Premier Robichaud. All those men in the middle 60's, when there was still time to change and possibly save Canada as we have known it, failed not because of their lack of merit or their lack of insight, but because of complete insensitivity on the part of a federal government that never really understood what was going on in Quebec.

I think that we, as Quebecers, have now reached the point of no return. I am deeply convinced that we can manage on our own. The referendum will be the test. I sincerely hope that in this process of the emergence of a new country, we can keep with our closest neighbours, the confidence, the good faith, and the common interest that history, geography and economics have bestowed upon us.

The appreciation of the audience was expressed by Mr. A. R. McMurrich, President of the Board of Trade of Metropolitan Toronto.

MARCH 24, 1977

North Sea Oil— The Economic Implications

AN ADDRESS BY Peter B. Baxendell, C.B.E.,
A MANAGING DIRECTOR OF THE ROYAL DUTCH/SHELL GROUP OF COMPANIES

CHAIRMAN The President,
William M. Karn

MR. KARN:

Reverend Sir, distinguished guests, ladies and gentlemen: We are delighted to welcome to our forum today one of the world's most experienced leaders in the task of alleviating an energy crisis — particularly as it applies to Great Britain, our mother country.

Britain has been living with high energy costs for some years, whereas we in Canada are just now being introduced to the realities of such restraints on our economy. We are being dragged kicking and screaming to smaller automobiles, slower speed limits, cooler homes and offices, energy conservation measures throughout our industries and all places of work and leisure. But the real energy crisis for Canadians is still ahead of us. We have time to learn lessons from the experiences of other nations and to take remedial action.

When I was laying out a cross-section of topics last year of possible interest to our members, energy was given a high priority, not only because of its alphabetical sequence but because of its critical importance to our present and future economic capability. Although we have many volunteers anxious to speak to us about our Canadian situation, and although we still are hopeful of having Justice Berger address us immediately upon completion of the Berger Commission Report, I approached my good friends in Shell Canada Limited to arrange for a guest of honour from Britain to acquaint us with their accomplishments in the North Sea area.

Britain, with her continental neighbours, has wrestled with the fantastic forces of nature in the North Sea and we hope she is well on her way to winning. We in Canada are still wrestling not only with our geophysical problems but also with political, economic and social obstacles, hopeful of one day mastering these hurdles and of establishing a suitable accommodation between our industry and government, enabling the benefits of the hydrocarbons from our tar sands and the Arctic regions to make their impact on our national economy.

It is our good fortune that Mr. Peter B. Baxendell, C.B.E., a managing director of the Royal Dutch/Shell Group of Companies has volunteered to honour us today.

Mr. Baxendell, upon obtaining his B.Sc. degree in petroleum technology at the Royal School of Mines in London, joined Group companies in Egypt in 1946. Opportunities abounded in that organization, and in 1950 he went to Venezuela, moving in 1963 to Nigeria as technical director with Shell-B.P. Petroleum Development Company of Nigeria. Three years later he was in Shell Centre in London as head of the Southeast Asia and Supplies Division in the East and Australasia Organization. He returned to Nigeria in 1969 as managing director and in 1972 was awarded the C.B.E. in recognition of his services to Anglo-Nigerian interests during the local war.

1973 found him back in London, serving as Regional Co-ordinator, Oil and Gas U.K./Irish Republic and managing director of Shell U.K. Limited. Simultaneously he was appointed to the board of the "Shell" Transport and Trading Company Limited, became a managing director of the Shell Petroleum Company Limited and a member of the presidium of the board of directors of Shell Petroleum

N.V. — the Dutch associates. Early in 1974 he was elevated to chairman of Shell U.K. Limited.

Ladies and gentlemen, it is a privilege to invite Mr. Peter Baxendell, C.B.E., to speak to you on "North Sea Oil — The Economic Implications".

MR. BAXENDELL:

In the United Kingdom these days it is extremely hard to get away from this topic of North Sea oil. Amidst our current economic gloom it is often represented as the pot of gold at the end of the rainbow — politicians seem to look upon it as the touchstone of their success or survival — and there is the general impression that the millennium is just around the corner, if only these oil men would stir themselves a little bit faster and get the stuff out!

It is consequently a pleasure for me to get away from the high drama that tends to shroud this topic in the United Kingdom and talk about it here in Canada, where the role of oil and gas in the economy is an old, not a new topic, and where you have already experienced so many of the problems relating to oil and gas that now face us in the United Kingdom.

When I first settled down to think about what I should say today, I was struck by the remarkable similarities that exist between the Canadian oil and gas scene and the United Kingdom situation as it is unfolding. For instance, in terms of overall recoverable oil from the known fields, the figures for Canada and the U.K. offshore correspond very closely. The basic day-to-day requirements of oil and gas in volume terms are also remarkably similar; and we have potential problems on energy sharing with our European Economic Community neighbours which are, I suppose, somewhat akin to your United States and Canada relationship.

The similarities are striking; but there is the fundamental difference that yours is a more mature development, whereas Britain's is in its infancy. This difference in timing is extremely significant, for North Sea oil development is essentially a "post-1973/74 oil crisis" phenomenon. It is the first major development to be undertaken on a completely new world scene, for the era of stable low-price oil is unfortunately behind us, and crude oil now has a world market value five times greater than the pre-oil crisis levels.

It is the effects of this new price environment on North Sea oil development that I would like to talk about today, and especially two aspects:

— firstly, that it is essentially because of the price rise that it is economically worthwhile to develop the bulk of these North Sea reserves, in spite of the appalling technical difficulties that make it so costly, and
— secondly, that the United Kingdom has had the opportunity to formulate its taxation and regulatory policies, its attitudes to domestic pricing and state participation, in this new high price era with, as it were, a clean slate. It has been relatively unhampered by earlier legislative commitments and has been able to develop its new regulations with full realization of the vital economic implications for the nation of this new resource.

Timing

The United Kingdom was late in arriving among the ranks of the world's oil and gas producers — and this was principally due to international politics, not to the technology. The massive gas field at Groningen in North Holland, probably the largest under commercial development in the world, had been discovered in 1959; but the industry could not extend its search out into the adjacent and relatively shallow waters of the southern North Sea as there were at that time no offshore national boundaries. Until that hurdle had been cleared, no company could operate and no government could give out concessions.

We had to wait patiently until June, 1964 when the

United Nations Convention relating to the exploitation of the Continental Shelf was at long last promulgated, and the boundaries in the North Sea between the United Kingdom, Norway, Denmark, Germany and Holland were defined.

Thereafter events moved very rapidly indeed.

The United Kingdom gave out its first offshore concessions in the southern part of the North Sea in that same year, 1964, and the first gas was discovered in 1965. Development was very rapid as new finds were made, and it was relatively simple technically in view of the shallow water. It has been a great success story, and reserves of around 30 trillion* cubic feet were established. These are currently producing about 4 billion† cubic feet per day, all of which is consumed in the United Kingdom — a figure, incidentally, which is almost identical to Canada's internal consumption. The British figure represents 18% of its total energy requirements — which, again coincidentally, is identical to your own gas utilization as the percentage of total energy used.

But there was no oil at all in that southern part of the North Sea. For Britain, that didn't come until 1970 in much deeper waters further north, in concessions given out in 1969. And it was not until 1972 that the first discoveries were announced in what has subsequently turned out to be the most prolific area — the extreme north, east of the Shetlands and up towards the 62nd parallel.

That far-north oil taxed the industry's technical ingenuity to its utmost, and moreover taxed its financial resources in a manner that it had never even considered before anywhere in the world.

Technology and Cost

I'm not going to dwell on that technology, but let me just tell you this about what we were up against.

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*trillion = million million
†billion = thousand million

The water depths ran over 600 feet, way beyond any previous experience, and in these northern latitudes — approximately the same as South Baffin Island — weather conditions are extreme. As a consequence, any fixed structure or anchored floating equipment that goes into these fields has to be designed to withstand waves 100 feet high and wind speeds of 120 miles per hour, gusting up to 160 miles per hour. Now 100-foot waves may not sound so bad when I say it quickly, but you get a better impression if you visualize waves the height of an eight- or nine-storey building. Furthermore, the fields are over a hundred miles away from a land base, and in periods of sustained bad weather — which really means right through the winter — there are major problems in getting supplies out to the rigs and platforms.

In the little over four years since the first discoveries were announced east of the Shetlands, extraordinary advances in the technology have been made — laying 36-inch pipelines on the bottom in 500 feet of water, at a cost of about $2 million a mile; towing out and placing concrete platforms over 600 feet high and weighing 200,000 tons; working dives to over 900 feet, where a diver works 12 minutes on the bottom and needs more than six days to decompress — constantly pushing the technology and techniques further and further ahead.

But, unfortunately, costs have also shot ahead. We were well aware that it would be an extremely high-cost operation; but we had certainly not appreciated that in the brief space of about three years our estimates of capital cost for specific development projects would have to be multiplied by a factor of two — and in some extreme cases, three. This was partly due to inflation, increased steel and fuel cost, but it was also due to the fact that we were climbing a very steep learning curve. Nothing ever turned out to be easier than we expected; it was always more complex. The engineer's constant demand for more money to cope with capital overruns finally led one exasperated financial administrator in the industry to propound somewhat bitterly a new law of economics. The law runs: "In any North Sea project, regardless of the state of completion, the estimate of future capital expenditure yet to be met to finish the job will always exceed the original total cost estimate." He was not entirely joking.

It is a cold, hard fact that investment in the northern North Sea oilfields now requires something like $6,000 to $9,000 for every daily barrel of peak producing capacity. By comparison, historical development in the bulk of the existing world reserves would lie between a paltry $200 and $400 per daily barrel.

To put this a little more clearly, if one was to develop a 60,000 barrel a day onshore oil field under, say, typical Middle East conditions in the early 1970s, this would have cost something in the order of $20 million. To develop a comparable oil field in the northern North Sea now could cost over $500 million.

Obviously the total calls on capital are enormous. For instance, the Shell/Esso consortium will have invested the staggering total of nearly $9 billion by the end of 1980 to develop its existing British North Sea discoveries, and will probably have invested over half as much again by 1985. But there is another aspect to this capital investment. It is not just enormous, it is also very heavily "front-end-loaded" in the cash flow sense, in that most of the capital has to go into a project before any income is generated. The "cash flow sink" — the degree of commitment to what is essentially a high risk venture — gets very deep before climbing back towards break-even. We estimate that Shell/Esso in the British North Sea venture will be in the hole to the tune of about $3 billion before starting the climb out, as the annual cash flow at last turns positive. We have our necks well and truly stuck out — a tremendous commitment to the skill and abilities of our engineers.

Now the point that I would like you to consider is not that the North Sea should be regarded as something unique, but that instead it should be regarded as the shape of things to come in overall energy cost terms. The North Sea development is only worth taking on at these vast costs because there is no alternative cheaper energy currently available.

It is exactly the same story in Canada. The sources of additional hydrocarbon energy are here, but the cheap sources — the existing oil and gas fields, for instance — are not repeatable in quantity. The vast majority of the technologically simple and, by definition, cheap developments have already been located and are in production. The development of the enormous indigenous energy sources that you undoubtedly have — whether it be in the shape of oil and gas in the Arctic, or offshore in northern latitudes, or in the tar sands where the reserves are vast, or in coal — all of these are going to require the same order of massive capital investment as we are experiencing under North Sea conditions, or possibly considerably greater. The capital requirements for future hydrocarbon extraction throughout the free world are going to be of a completely different dimension to those that we have been used to in the past.

The National Resource

I would like to move on now to the other aspect of North Sea development that I referred to earlier — the national economics and the British attitudes towards pricing, taxation control and participation.

The first question, of course, is how great is this national resource? Not just a question of how much oil has been discovered already, but also the more difficult question of how much is likely to be discovered in the future? Not easy to answer in the current state of development, and the definitive answer is unlikely to become clear for another ten years as development proceeds. These circumstances inevitably encourage a variety of experts, and non-experts, to propagate their views!

In my own company's opinion, the figure for commercially recoverable oil from United Kingdom waters is around 3 billion tons (say, 20-25 billion barrels) from the currently known oil provinces. Of this total, approximately two-thirds has, we consider, already been discovered, and the remaining one-third is our estimate of future discoveries that will be made. This figure is at the lower end of the spectrum of available forecasts, but I believe justifiably so. However, that 3 billion ton figure represents a total worth as crude in present-day terms of around $300 billion.

Putting this reserve figure in terms of the United Kingdom's internal demand, it is approximately equal to 30 to 35 years' consumption at current rates. Self-sufficiency levels should certainly be reached by 1980. This does not mean, of course, that self-sufficiency levels can be maintained for thirty years or more. Oil fields unfortunately decline steadily in output as the pressure in the reservoir reduces; and there is the additional complication that a government decision has to be made on overall levels of offtake, particularly the extent to which it is deemed necessary to produce quantities in excess of self-sufficiency levels in the 1980s, in order to improve the general national economic situation by crude export earnings. The higher the production levels in the short term, the shorter will be the self-sufficiency period.

But clearly the oil in the North Sea is a formidable national asset however you qualify it; and this has been recognized by government in the form of the British taxation and legislation that has evolved over the last few years.

Fiscal Terms

Taxation was probably the most fundamental question. Both government and industry appreciated that the pre-1974 rules would have to be changed as a result of the oil price rise — the concessions were originally given out on a basis of 12½% royalty plus corporation tax, now at 52%.

The new tax structure had to recognize both the massive increase in crude prices and also the massive front-end-loaded capital cost of extraction.

The result was an additional special petroleum revenue tax introduced in the 1975 Act, which was levied prior to corporation tax and applied strictly to production activities — that is, "ring fenced" on a field-by-field basis — so that it was effectively isolated from all complications of the refining or marketing business. It thus ensured that a highly desirable transparency entered into production taxation. Moreover, and most important to the operators, it was set up as a cash flow tax: it is not levied until all allowable capital expenditure, plus an allowance compensating for interest charges, have been recovered. The net effect of the new tax, coupled with royalty and corporation tax, amounts to an overall government take of between 70-75% of taxable income; but the cash flow provisions mean for the industry a reasonably rapid approach to break-even. (Even so, it is becoming more and more apparent that insufficient provision has been made to permit development of the smaller accumulations.) In view of the high front-end-loaded cost now implied in most energy resource development, I am sure that we will see wider worldwide application of some form of cash flow tax.

Another interesting point was that, in adopting the new petroleum revenue tax, the government abandoned any concept of protective pricing mechanism. Oil would be priced at going competitive world market prices both for home consumption and export — a sensible step surely. In a new age, when the need for conservation is imposed on us all by the precariousness of the world's energy balance, it makes no sense to protect the consumer from economic reality. But for Britain it was a major break with past practice, as a directly contrary line had been pursued with North Sea gas.

North Sea gas was a pre-energy crisis development dating from 1965, as I explained earlier. It was pegged at a landed price which is now equivalent to only about 20% of alternative fuel value. It is a policy that is probably politically impossible to unscramble; but its continuation has meant that the southern gas fields had to be declared exempt from petroleum revenue tax. Even so, however, the price obtained by the producers is insufficient to make further exploration and development viable. But this is a situation in relation to gas that many other countries are familiar with, and one that has brought similar problems of disincentive to conserve, coupled with disincentive to explore and produce. It is a legacy from the old world of stable, low-priced energy which we left in 1974.

I could give you many other examples of how the new regulations and legislation have been constructed to cope with high-cost/high-priced oil. But time is short, and perhaps I'd better just touch on one last point, one that has generated so much feeling in Britain — the issue of government participation in the oil fields and the role of the new British National Oil Corporation (BNOC).

Participation

The question of participation first arose in 1974, when the increasing number of discoveries and increasingly optimistic forecasts of reserves induced the government to seek a majority holding — not in the concessions, but in all the commercial oil fields. It apparently wanted a "voluntary" 51% stake, which it was prepared to acquire by a contribution process that was never, to my knowledge, defined.

The oil companies immediately, and I believe justifiably, screamed "foul". We felt very strongly that participation on this retroactive basis, after the discoveries had been made, was rather like approaching a man who has just won a lottery and offering to buy a half-share of the prize for half the price of the ticket.

In the debate that followed, it became clear that the government's aim was not increased take; that was dealt with by the petroleum revenue tax in 1975. Nor did it appear to be a basic question of regulation and control, for the most comprehensive set of control regulations was embodied in our Petroleum and Submarine Pipelines Bill, which was introduced in 1975 with the aim of defining very precisely the full extent of government control.

A great deal of confusion resulted and the participation debate dragged on, until in 1976 the government changed tack. They dropped the so-called "contributory" participation aim and substituted what became known as the "option route" to participation. In essence, this implied that an operator on an existing licence who discovers oil and is in process of development would agree to give an option to buy, at going market prices, 51% of the output to the government via the agency of the newly-formed BNOC. This was a more acceptable route for the industry, but there were long and complicated arguments regarding the producer's buy-back rights to the option crude before there was general agreement. The basic philosophy was apparently that the option route, if universally applied, would give the BNOC control over the destination of the majority of the total crude produced in U.K. waters — a percentage that, including royalty oil taken in kind, could amount to 57% of the total production.

What apparently lies behind this philosophy is an awareness that the world can well be facing another energy crisis in the years ahead — not necessarily a politically generated emergency, but a shortage due to the growth in demand for oil worldwide outstepping availability, before either additional sources of oil (such as tar sands, shale or deep offshore) or alternative energy sources (such as coal or nuclear power) are available in sufficient quantity and by environmentally acceptable means to take their place.

That danger, I believe, is real. It is now over three years since the oil crisis gave the developed countries such a jolt, but depressingly little has been achieved towards the development of alternative energy supplies. Assuming that world economies recover from the recent general decline, the demand for oil could well outstrip availability despite the North Sea and Alaskan developments. The likely growth of United States, European and Japanese import requirements is a frightening prospect when viewed against OPEC's anticipated total capacity.

In the circumstances, the acquisition of North Sea crude by BNOC via the option route participation is understandable. But to my mind, the problem of energy shortage will not be solved by isolated government action; nor can individual governments effectively isolate their economies from those of their neighbours. If another energy crisis comes, it will be a worldwide affair and one that we can only be sure of avoiding by worldwide awareness and concerted action now on the conservation and alternative energy fronts.

The participation row, which has now been amicably resolved by the option route, involved the principle of retroactive imposition of new terms on existing concessions. On future concessions, the present government intends to take up a full 51% participation on a contributory, equity basis right from the beginning — sharing the risks right from the initial exploration expenses. This is, of course, very different from a retroactive buy-in to the established successes, and the industry can have no complaints — provided, of course, BNOC proves itself to be an efficient and capable partner.

Hopefully now, most of the legislative and fiscal problem areas regarding North Sea oil development are behind us, and the ground rules are now clear enough to ensure steady progress. There has been throughout a constructive dialogue between government and industry — not always smooth, but perhaps made easier by the realization that both parties are feeling their way into this new environment of high-price/high-cost oil. We in the industry are grateful for it, and I believe that Britain's experience in this new area will be of real value elsewhere in the world.

One final word. It is very difficult to answer the question "just what will the North Sea mean to Britain's future?" It is of course a question for the politician, not the oilman; but we can attempt some quantification, particularly in respect of the effect on the overall balance of payments, which is clearly very substantial. The net current account benefit derived from North Sea oil activity should be around £1 billion in 1977, rising to over £5 billion in 1980. If you take the value of North Sea gas into account as well, the 1980 figure should show a benefit of over £8 billion. Assuming the price of oil maintains its value in real terms, that figure should more than double by 1985, based on an offtake of approximately 50% above self-sufficiency levels.

The figures cannot be more than approximations, depending as they do on crude oil price and exchange rate fluctuations, but the significance for the British balance of payments is obviously major.

This is really where oil industry comment should cease. Thereafter there is a major government choice: the short-term temptation of using the additional revenues to raise consumption levels in Britain, to raise real wages regardless of productivity; or to attempt to use the resources to help develop an efficient industrial structure for the long term, and to develop alternative long-term energy supplies. It is to be hoped that the latter is the major priority.

I'm afraid the engineers can do little more than say to the politicians, "For Heaven's sake, use the oil revenues as a springboard and not as a mattress — and always remember that it won't last for ever."

The appreciation of the audience was expressed by Major-General B. J. Legge, C.St.J., E.D., C.D., Q.C., a Past President of The Empire Club of Canada.

MARCH 31, 1977

Reflections from Washington

AN ADDRESS BY His Excellency J. H. Warren, B.A.,
AMBASSADOR FOR CANADA TO
THE UNITED STATES OF AMERICA

CHAIRMAN The President,
William M. Karn

MR. KARN:

Reverend Sir, distinguished guests, ladies and gentlemen: Last May when I was seeking outstanding speakers of interest to our members and guests, His Excellency "Jake" Warren was among the earliest to respond. However, because of an expected rush of dignitaries from Canada to Washington planned for last autumn and this winter, Mr. Warren asked for a spring date on our roster. We are most indebted to him for arranging to visit with us today, even though the demands on his time now are as onerous as ever. Since Prime Minister Trudeau's visit with President Carter in mid-February, five federal Cabinet ministers have already been to Washington, and four more have arranged to hold meetings there with various department secretaries.

Mr. Warren, whose home region was Kent County, entered the R.C.N.V.R. upon graduation from Queen's University in 1941, serving with distinction until his discharge in 1945. Modesty becomes this gentleman and therefore there is no reference in his biography to his swimming ability or powers of survival, which enabled fellow Canadians to rescue him from the frigid North Atlantic when one of his own ships was sunk by enemy action.

In 1945 our guest of honour joined the Department of

External Affairs, serving in London and Ottawa before transferring in 1954 to the Department of Finance. This took him to Washington as alternate executive director for Canada both to the International Bank for Reconstruction and Development and to the International Monetary Fund.

He returned to External Affairs for one year in 1957 as Counsellor Economic to Paris (NATO and OEEC) and then became Assistant Deputy Minister (trade policy) in the Department of Trade and Commerce, moving up to become Deputy Minister from 1964 until 1969. When the Department of Industry merged with Trade and Commerce in 1969, Mr. Warren was the obvious choice as Deputy Minister for the new enlarged department.

Canada has also benefited over the years from Mr. Warren's participation in most major trade negotiations of the GATT members since 1958.

With his background experience in three senior departments of government, was it any wonder that he was alleged to have been one of that exclusive group of "mandarins" — which at one time included among others Robert Bryce, Simon Reisman, and Ed Ritchie — who lunched together each Friday in the delightful suburban setting of the country club on the north bank of the Ottawa River, to give direction to the economy of Canada. And in those days Canada prospered.

As you may have observed, Jake was destined to be propelled ever upward. His appointments, first as Canadian High Commissioner to Great Britain in 1971 and then as Ambassador to the United States in 1975 were astute moves by our federal government in recognizing the two countries which bear more directly on our economy than all others. While much of our investment capital has derived from British and American sources, Britain also accounted for 3.9% and the U.S. 68.2% of our total export-import trade in 1976, which reached $75.3 billion in value with all nations.

Canada has been fortunate in having an ambassador of

Mr. Warren's qualifications serving in the United States at this critical stage in our history, interpreting to our American neighbours the inherent strengths in our relationship with them, while admitting to certain internal political and economic weaknesses. In recognition of his services to Canada in the diplomatic arena, his *alma mater* awarded him an honorary degree in 1974.

Ladies and gentlemen, I am highly honoured to be able to invite my good friend His Excellency "Jake" Warren, Canadian Ambassador to the United States of America, to speak to you on the subject "Reflections from Washington".

HIS EXCELLENCY J. H. WARREN:

Mr. Chairman, ladies and gentlemen: As a Canadian born in the tobacco fields of Kent County and educated in Ottawa and at Queen's University, it is a special honour to have been invited to address the Empire Club of Toronto. I hope the invitation was not issued in error. Do you often invite life-long supporters of the Ottawa Roughriders and Montreal Canadiens?

Despite what you may have read to the contrary, I am still around — indeed enormously enjoying the fascinating job of representing Canada in the United States. I expect to continue to serve Canada for at least some years ahead. That the full thirty-five years of pensionable public service have now passed comes as somewhat of a surprise, even to me! That the years have tumbled together with such rapidity perhaps says something of the richness and fascination of the life of our country since those far-off days when I joined the Navy in 1941.

To some the experiences between 1939 and 1945 remain evergreen. For others, there is a remoteness about the combat, now removed by over thirty years from current day reality. (Last year my younger son asked me which one of the World Wars I had been in!) But those Navy years were formative. They imparted a sense of discipline and commitment to our country which has remained. This does not make the wartime generation any better, or any worse, than the preceding or succeeding one. But those of us who survived that testing time feel, perhaps, a particular responsibility to ensure — together with those who came after us — that what was preserved against external threat does not dissolve through lack of internal will.

The title of my talk, "Reflections from Washington", is purposefully ambiguous. It will permit me to say something about the state of relations with the United States and about how current Canadian phenomena may appear to our close neighbours to the south and to others outside Canada. On occasion it is well, perhaps most importantly at times of doubt and introspection, to remember the admonition of Robbie Burns:

O wad some pow'r the giftie gie us
  To see oursels as others see us!
It wad frae monie a blunder free us
  An' foolish notion:
(*To a Louse* — 1786)

And also, I shall be saying a word or two about how it feels to be a Canadian Ambassador who for some time has had the privilege of representing and speaking for Canada.

Canada/U.S. Relations

Canada's relations with the United States have changed perceptibly, if gradually, over the last few years — and for the better. And it will be necessary for both countries to work hard over the years ahead to make sure that this remains the case. Although we have a long way to go before there could be said to be an informed United States public opinion about Canada, even this aspect of the relationship has undergone considerable improvement. This evolution reflects in part a recognition by Americans of the limitations on their power to go it alone in an increasingly interdependent world. Likewise it reflects their need and desire to cultivate, with greater perception, their allies and friends. So far as Canada is concerned, this more considered and considerate attitude is also evidence of an enhanced awareness of the United States' stake in Canada; not just in terms of exports and investment or sources of energy and raw materials, but also as a zone of security and stability for the continent.

While strident versions of Canadian nationalism, bordering on anti-Americanism, have not been particularly helpful in the relationship, those voices, together with calmer and more considered expressions of positive Canadian concern for our identity and place in the world, have also contributed to a more active United States interest in what Canada really is, and is becoming.

I sense that we are getting away — admittedly slowly — from the unreality of earlier U.S. assumptions, assumptions which had it that Canada would automatically be on side, or that its interests would be adequately served by the American decision-taking process and that, if this proved in practice not to be entirely true, the problem could be patched up by some relatively minor adjustment or by exception.

Elements of this usually friendly misconstrual of our situation remain a part, but a diminishing part, of public perceptions in the United States. Certainly these assumptions of quasi-automatic interest and identity no longer hold true for the U.S. business community, which has raised many questions about our economic performance and policies. Nor is it shared by Congress, which has recently found itself reacting to a variety of constituency concerns arising from Canadian actions which have had direct impact in the United States. And this rather laissez-faire attitude is certainly not true of the current and previous United States Administrations. Both have been careful and circumspect in their dealings with Canada. This, of course, has not prevented them — as is normal between governments — from seeking to ensure that Canadian actions did not adversely affect American interests or if they did that such effect was minimized.

I think there has been a growing awareness on both sides of the border that much of what we have to do in our respective countries cannot be done in complete isolation, without potential reciprocal disadvantage. This is certainly true in such areas as the environment, trade and mutual defence.

We have reached a point, realistic and desirable in my view, where both governments see advantage in good management of the relationship. Both are now aware of the need for early problem identification, advance notification, consultation and negotiation — all designed to cope with the range of problems that arise. And it is recognized that such problems are inevitable when two economies and people are so closely inter-connected and when any significant action taken by one is likely to have a perceptible impact on the other.

A similar recognition has been taking place also in the broad field of multi-national relations. Here, however, the break with the past is less obvious given the history of international co-operation between the United States and Canada over the post-war period. With one or two notable exceptions, there has been similarity in the main international objectives of U.S. and Canadian foreign policy, for example NATO defence, trade liberalization, assistance to the developing countries. While this has for the most part continued to be the case it is less of a general rule. Thus we have seen notable differences of policy with respect to China and Cuba, we have noted Canada's outreach to Europe and Japan as part of the policy of diversification of our relations. And we have observed a more forward position in Canada than in the United States relative to the needs and aspirations of the developing countries (but President Carter is, I believe, moving to change that situation).

Even when our broad objectives are the same, there are often differences about means and timing. These differences, however, are usually resolved in moving towards international consensus and I believe that reconciliation of U.S. and Canadian points of view on tactical questions has on occasion been catalytic in finding such consensus.

Canada's international contribution, both in terms of material and human resources (NATO, aid, peacekeeping) and in terms of the creativity of its thinking about world problems has been a positive factor in the bilateral relationship with the United States. It has created a favourable background against which United States leaders have found themselves able to address positively the multitude of housekeeping issues that come up between us as North American neighbours. And I think it is now common ground that another and distinctive voice from North America above the Rio Grande is, from the point of view of proper balance, a desirable feature of international deliberations. This is the more so as other countries have come to appreciate that the Canadian point of view is no mere echo of Washington. Indeed, it is the number of significant occasions when our voice has been different which has lent credibility to our distinctive role and has enhanced the international acceptance of Canada as an important participant in the consideration and resolution of world problems. We are now, and properly so, a participant in the summit meetings of the world's major industrialized countries.

The relationship with the United States is now in reasonably good health. While there was plenty to discuss during the Prime Minister's visit with President Carter, there was no so-called "list of irritants" on the table. This is not to say, however, that difficult and contentious issues will not arise in the future — issues which will test whether we have the capacity and maturity to ensure the resolution of problems which are negotiable and to accept that from time to time matters will arise where the conflicting interests of the two countries may not prove fully reconcilable.

The next year or so will, I think, prove particularly interesting to students of Canadian/U.S. relations. In making this observation I am not referring to the existence of a new administration in the United States nor to the pressing federal/provincial problems we are facing here. I am, however, thinking of the number of important issues which will be before us. I won't take you through the full agenda, but a few examples may suggest that skilled navigation will be required as we move ahead.

On the environmental front, by this summer, the report of the International Joint Commission on the Garrison Diversion Project in North Dakota should be in the hands of both governments. This project engages important interests in North Dakota and downstream in Manitoba where the potential adverse environmental impact has given rise to great concern. It is to be hoped that on the basis of the factual findings and recommendations of the I.J.C., the two governments will be able to find an acceptable solution. The President, as you may know, has recommended against further funding of this project until a study of benefits and costs is completed by the new Administration, and a moratorium has been placed on construction of the Lone Tree reservoir.

On the west coast the routing of incoming tanker traffic is a matter of considerable sensitivity on both sides of the border. Alaskan North Slope oil is expected to be flowing south sometime later this year.

On the east coast the Canadian Government is not disposed to permit the transit of large volumes of hydrocarbons through the dangerous waters of Head Harbour Passage on the New Brunswick coast. This is the proposed access route for a refinery which commercial interests wish to construct at Eastport in Maine.

In the north, we are permitting drilling in the Beaufort Sea and the Americans share our concern about the potential adverse effect on the environment in the sea and, indeed, on their Alaska coast.

In trade, we shall be working in this period to complete the bargaining in the current Geneva round of Multilateral Trade and Tariff Negotiations. Given the sharp difference in the trading patterns of Canada on the one hand and the other industralized countries on the other, one can be reasonably sure that the negotiations will be vigorous before Canada can feel assured that "reciprocity" has been achieved. In particular we shall wish to see that the United States uses its full authority to reduce tariffs to zero. The importance of this objective for Canada is illustrated by the fact that some 70% of U.S. dutiable imports from Canada fall within the low duty zone of 5% or less. We shall also seek to ensure that the general tariff cutting formula and related sector negotiations do indeed provide enhanced opportunities for the manufacture and upgrading of Canadian resources — opportunities which have been denied us under the traditional escalated tariff structures of most of the importing nations.

In the automotive sector, the two governments now have to consider the results of the parallel studies on the North American industry undertaken over the past two years, following Mr. Trudeau's visit with Mr. Ford. These reports, together with the realities of the international competitive situation, should help point the way ahead for this key industry. It is our perception, which seems to be shared by the U.S., that we have to enter a period of intensive discussions on the future of the North American industry. The agenda for these discussions will include not only bilateral issues, but multilateral aspects of trade in automobiles, particularly imports of vehicles and parts from off-shore sources and the place of automotive trade in the Geneva negotiations.

The extension by the two countries of their respective fisheries jurisdiction to 200 miles has made urgent the question of long-term fisheries arrangements between them as well as resolution of the issue of our disputed seaward boundaries, particularly in the Georges Bank area on the east coast, but also on the west coast and in the Arctic. It was only with considerable difficulty that the two sides were able to work out an interim fisheries arrangement to carry us through until the end of 1977. If the earlier discussions are any guide to what the future may hold — both important fisheries and potential hydrocarbon resources are at stake — our negotiators will have their work cut out for them to secure a satisfactory agreement by year end. As the Secretary of State for External Affairs has stated in the House of Commons, the two sides have agreed, in order to ensure that the boundary matter does not drag on interminably, that if by the end of 1977 no negotiated agreement has been reached, there would be third party reference. Both governments would prefer to reach a negotiated settlement.

On the bill of fare for this year are important questions for both countries concerning the development and transportation of natural gas from the Prudhoe Bay/Mackenzie Delta area to southern markets.

Closer to home, here in Ontario, is the question of tolls on the Seaway. And we shall be working to bring about changes in United States laws and regulations which inhibit the holdings of conventions in Canada.

Each of the examples I have just given involves large constituencies of interests in the two countries. They are strong, vocal and have considerable political clout. So the way ahead will not be easy.

But just as each coin has two sides it is clear that a demonstrated capacity to deal with these difficult issues will further reinforce the notion that Americans and Canadians know how to live together in ways that recognize and accommodate their differences.

Certainly there are many areas on the horizon where the period ahead holds promise of positive developments. I would think that defence re-equipment and procurement is one of these where, as in the case of long-range patrol aircraft, Canadian procurement decisions will be welcomed by the United States government in terms of a strengthened Canadian defence capability.

The 1972 Great Lakes Water Quality Agreement, a landmark in the history of our environmental relations, comes up for review this year. Prime Minister Trudeau and President Carter have agreed that the review should aim at improving the treaty rather than merely continuing it, as we must be able to deal with new and dangerous sources of pollution, as well as the old challenges. Success in this joint effort will surely be greatly welcomed on both sides of the lakes.

The Law of the Sea negotiations which are scheduled to resume later this year could, if successful, mark a significant break-through in the capacity of countries to deal jointly with world economic, sea transport, fisheries, seabed resources and environmental problems. On the other hand, failure could herald chaos in maritime jurisdiction for many years to come. In terms of Canada/U.S. relations, these negotiations hold the possibility of being significant pluses or minuses in terms of the possible reconciliation of some divergent interests, as well as in terms of international recognition of some that are the same — as for example in our parallel views about the fishery and management of the salmon resource.

The positive attitude of the United States towards Canada, of which I have spoken, is, of course, predicated on some rather basic notions. Americans feel that despite our being a different country we are fellow North Americans and that our basic disposition is friendly. Americans have considered also that Canada was and would remain a relatively stable and well managed country. And it has been believed that on the business side we were basically free-enterprisers like them.

In the last few years some of these overly simplified notions have been tested by actions taken or policies introduced, arising from Canada's desire to have a surer hand on the development of its economy and to assure the maintenance and growth of our distinctive cultures.

Some of our actions have given rise to puzzlement in the United States and, in traditional business circles, to a measure of concern. Thus, Americans have had to adjust to our foreign investment review procedures as well as to the actions taken by Canada in support of our broadcasting and publishing industries.

In the resources sector, Americans have had to realize that Canada was not the unlimited storehouse it was thought to be; that Canadians would wish to control the rate at which non-renewable resources were depleted and that in the case of energy Canadians were not automatically ready to share dwindling supplies of oil and gas on a North American wide basis. Americans have also had to come to understand better the jurisdictional powers enjoyed by the provinces of our country, including the right to take resources under public ownership and control. The entry of the Government of Canada into the field of hydrocarbon exploration and development through Petro-Canada was also something of a surprise. That it should have been, notwithstanding the great number of other countries which have state-owned oil companies, is perhaps another indication of the oversimplified view which many Americans have of Canada.

In the field of the encouragement of the arts and of individual artists, our philosophies, experience and circumstances differ. An increasing number of Americans are becoming aware of the extent to which the federal and provincial governments provide support in Canada — and increasingly understand why in the interest of our cultural identity and development they do so.

The process of coming to accept some of these differences and innovations of the Canadian experience has yet to run its course. If we are accepted for what we truly are — and this is increasingly the case — then I believe much unnecessary friction can be avoided. For our part we must accept that the policies of the United States with its different global and domestic imperatives will not always coincide with or be supportive of those of Canada.

This is well illustrated in the trade field. While the broad thrust of U.S. economic policy is in the direction of trade liberalization, their laws and regulations are capable of highly restrictive application in response to domestic pressures for protection. The world is closely watching how, in the next few weeks, President Carter and his administration will respond to the recommendations for action against imports recommended by the United States International Trade Commission in the case of shoes, colour television sets and sugar.

A world in which many countries have not recovered from the 1974-75 recession and continue to face difficult balance of payments situations is also anxiously awaiting further evidence of the forward direction of the United States economy. Here I think the news is good. The administration expects that this winter's dislocation will have only modest and short run effects and that for the year as a whole real growth will be between 5¾ and 6%, measured quarter to quarter, with an underlying inflation rate of about the same magnitude. This is taken to imply for this year a substantial increase in the United States 1976 trade deficit, which was $9.2 billion. The stimulative measures being taken in the United States should be helpful to a number of countries which are looking for export-led growth to help them overcome current difficulties. With its large stake in the U.S. market, Canada is, of course, directly affected. I expect our resource industries will benefit significantly from stronger U.S. economic activity. The extent to which our manufacturers are able to do so will depend on our relative competitiveness, which is a matter of considerable concern. The lower value of the Canadian dollar should provide some help for our exports, but I think fundamental improvements have to be made in the area of our manufacturing costs and productivity if we are to regain our position in export markets and hold our own against manufactured imports. From this point of view as well as that of our problems of unemployment and lingering inflation, Mr. Macdonald's budget tonight is awaited with more than usual interest. While a number of our economic problems are indeed serious, I doubt the outlook is as dark as the recent gloomy and Cassandra-like article in *Business Week* would have readers believe.

What Mr. Macdonald has to say tonight will also be read with great care in New York, Washington and elsewhere in the United States. Since our bout of inflationary disease and the introduction of controls, there has been something of a wait and see attitude about Canadian economic performance and prospects. These uncertainties and the questioning in the business community of measures taken in the resources area — for example potash legislation in Saskatchewan — have naturally been greatly compounded by U.S. bewilderment about what is happening in Quebec and what this may portend for Canada as a whole. Indeed the Quebec situation has probably provoked more serious thought and concern about the well-being of their neighbour to the north than at any time in United States history. This consideration is of a quite different kind than the superficial knee jerk reaction that, for example, swept the United States on the question of Taiwan participation in the Olympics, or the current outcry by special interest groups and well-intentioned citizens with respect to our seal hunt.

I think most Americans were taken aback by the results of the Quebec election and the stated intention of the Parti Québécois to try to lead the people of Quebec out of Canada. Americans are not likely, I believe, to identify the aspirations of the P.Q. in this regard with their revolutionary struggle to throw off the British yoke, but rather to recall the deeply bruising experience and long unhealed wounds of their Civil War.

Against this background, and in part because they assume that Canada is a land much like their own, Americans find it difficult to grasp that a group of people, even of different culture and tongue, would wish to forego the potential of the broader horizon for what they would see as the disadvantages of a more limited, if culturally and linguistically more homogeneous, status.

There has also been a feeling in the United States, as in other countries, that Canada is fortunate among nations, has much of its destiny yet to be fulfilled and remains a land of great opportunity for those who were born here or through immigration have had a chance to share in the Canadian adventure. Measuring these prospects against the problems and limitations present in so many overseas countries, Americans and other foreigners are bound to find it difficult to understand why any group in our country would wish to put the future at risk, their own, and that of their fellow Canadians.

At another level of perception, and although this is unspoken, Americans are, I believe, concerned about a diminution of stability in Canada, and hence in North America, should the separatist forces in Quebec gather in strength and the separation of the province become a realistic possibility. The prospect of stability being imperilled in a friendly neighbouring country which stands both between the Lower 48 and Alaska and between their country and the Soviet Union is, I believe, not something Americans wish to contemplate.

These are, I believe, some of the considerations in the minds of our American friends. Their government has however been extremely careful in any comment they have made on the Quebec situation. President Carter, expressing his clear personal preference for the continuation of Canadian federation, stressed that this is an internal matter for Canadians to work out themselves. I think you can take it that overwhelmingly Americans wish us well in dealing with the challenge to Canadian unity, indeed in dealing with the whole range of current problems whether economic, constitutional or social which may stand in the way of the growth, stability and health of Canada and the Canadian society. At the governmental level it is clear, following the Prime Minister's visit, that our relations with the United States Administration are set in a highly promising and constructive direction.

I am optimistic that we Canadians will find the will and the sense of community to overcome our present difficulties. We have seen what can happen in terms of unemployment and inflation from excessive expectations and demands relative to available resources. We have experienced the constraints of the sorts of measures which have had to be taken when the economic situation must be taken firmly in hand. We perceive with increasing clarity that an export-dependent society cannot afford the luxury of loss of competitiveness. We have seen that international financial markets do react to events in Canada in terms of willingness to invest and the cost of borrowed money. These messages have reached or are surely reaching home.

I believe also that what has happened in Quebec has caused most Canadians to rediscover in their different ways what Canada as a whole means to them. This enhanced awareness and appreciation of what it is to be Canadian will, I hope, make it possible for us to forge a new consensus in our country. I think of a consensus encompassing the legitimate aspirations of our French speaking compatriots — including many who now consider separatism as their preferred option — a consensus capable of encompassing also the aspirations for change in Canada's other regions and provinces which are compatible with the imperatives of the sound governance of our whole country.

A Canadian Ambassador necessarily must be concerned with all the problems affecting our relations with other countries, irrespective of where they may have had their origin within Canada. He inevitably comes in his thinking and in his presence to have a feeling for and passionate involvement in all that goes into the make up of our country and our society.

There is that about our seas, our shores, our skies, our space, our city sights, our countryside and forest scents, there is in the coming of our spring and the glory of our fall fulfillment, even in our winters long — there is in all this the essence of a land unique to us, an essence which pervades, transcends, which knows no local barriers. I trust that Canadian Ambassadors for countless years ahead will be able to sing the praises of this essence and will have, as I have had, the honour, to represent one Canada from sea to sea, our Canada in all its rich diversity.

The Governor General in his New Year's message said: "This great and marvelous country belongs to us all." Like him, I trust that the Canada we pass on to our children and our children's children will be undiminished in any way, indeed that out of our present travail will come an even richer heritage.

The appreciation of the audience was expressed by Mr. John D. Herrick, a Director of The Empire Club of Canada.

APRIL 14, 1977

Window on Tomorrow

AN ADDRESS BY Sinclair Stevens, Q.C., M.P., PROGRESSIVE CONSERVATIVE FINANCE SPOKESMAN

CHAIRMAN The President, William M. Karn

MR. KARN:

Reverend Sir, distinguished guests, ladies and gentlemen: Although Senator Forsey appears to have a physical constitution of iron, he is not immune to the viruses that have troubled many of us this spring, including myself. So you can understand my concern just two days ago in Edmonton, when I heard that Senator Forsey had come down with a severe case of laryngitis and had to cancel all appointments. I have today sent him a Telex on your behalf wishing him a speedy recovery and saying how much we look forward to his address, now scheduled for April 28th, 1977.

Then, after the initial shock sank in, we mobilized the many resources of The Empire Club of Canada and brought forward the date planned for our good friend Mr. Sinclair Stevens. We are most fortunate that he was able to rearrange his program to accommodate us and that he has that commendable ability of moving to front stage centre with a minimum of advance notice. We are most indebted to him for his faithful support today.

Just how much my thought processes were influenced toward the Federal P.C. Party because I happened to be in Alberta this week, I am unable to say. But that is a fertile region for inspiration — political as well as economic. Where else in North America today can you drive legally at 70 m.p.h.?

Our guest of honour today is a native of Milton, Ontario, where his Irish father was associated with the J. S. and George Henry families, moving with them to Kleinburg, where he grew up and attended the one room Purpleville Public School. As some of we old timers know, that was the true "open concept" system of education which worked well, with one teacher handling up to fifty students in about seven grades, as well as stoking the furnace and managing the property.

After obtaining his B.A. in Journalism from the University of Western Ontario, in 1950, he put himself through law school working as a reporter for the *Toronto Star*. This led to a period with Fraser and Beatty prior to establishing his own law firm near Aurora in 1957, into which he took as a partner his wife, Noreen.

Sinclair Stevens takes an active part in business and finance, being Chairman of B.I.F. Division, the New York Air Brake Co. of Canada Ltd. and of Comtech Group International Limited, as well as serving on the boards of several other companies. He represents in Parliament the federal riding of York-Simcoe, and he is now Progressive Conservative Caucus Chairman of the Finance Committee.

Ladies and gentlemen, I am delighted to give you Mr. Sinclair Stevens, Q.C., M.P., to speak on the subject "Window on Tomorrow".

MR. STEVENS:

Mr. Chairman, ladies and gentlemen: In speaking to you today, I am naturally sorry that my good friend Senator Forsey is unable to be with you due to ill health. The Senator was to speak to you on the patriation of the constitution and I know he would have presented an excellent discourse on that subject.

If I may, however, I would like to take this opportunity to discuss the state of our economy. With some one million out of work, inflation running in the double digit figures, historically high deficits at Ottawa, and little real growth in the country, I believe it is time we Canadians got concerned. It is time we became aroused to the fact this country is sick economically and nothing is going to be gained by continued rationalizations to the effect that we are not doing badly.

Ladies and gentlemen, a strange complacency has crept into Canadian thinking. It is eerie. We are disinclined to accept reality and more importantly to do something to better our present lot. An attitude has grown that we are caught up in a situation in which little can be done to correct our plight. Some state that it is an international phenomenon and that in relation to our main trading partners, we are doing fairly well. That is simply not true.

Others take the attitude that all that can be done is being done. Presumably in Ottawa. But how naive can you get? Ottawa is the problem. It is not the solution.

And if we wish to look for the single most important cause of our inflation, it is Ottawa to which we should be looking. Inflation has been manufactured in Ottawa by excess government spending and an unbelievable growth in our money supply to help finance that spending. Let there be no doubt about that. It is not the energy rich nations that have caused our problems. In fact, we are an energy rich nation — which we seem to forget.

It is not the husbanding of resources by others in the world that has caused our trouble. The hard, ugly truth is that we as a nation have lost our competitive position in the world and each of us suffers from that loss. Some more than others.

Ladies and gentlemen, if we wish to save this country, let us start first by saving our economy. If we do not save our economy, if we do not become more concerned and reverse the present trend, not only may we lose our country, we may lose our democratic way of life. An economic morass brings unrest and discontent which in turn is fertile ground for separatists and those who would dictate an answer rather than work within our democratic system.

When we speak of spending at the Ottawa level, it is difficult to relate to those billion dollar figures.

On budget night, March 31st, various statements were made by pundits and others. Some said it was a standpat budget. Others said it was a conservative budget — if you can imagine! But let me put it into perspective. The budget deficit that Mr. Macdonald proposes for the current fiscal year is $7.2 billion. Not only is that the highest such deficit in Canadian history, but that amount — $7.2 billion — is more than total federal government spending in 1964, the first year after the present line of Liberals took power in Ottawa.

Let me express it another way. If we add the deficits to be incurred this year and those which have been incurred in the two previous years, we have a total of $17.8 billion. That is, in three years, the present administration will have run up deficits two and a half times the aggregate Canadian government deficits in the previous thirty years.

Ladies and gentlemen, it is time to get aroused. It is time to ask: Can we not do better? Must we have such spending? What has it produced? Not only do we have high government deficits which contribute to high interest rates, but we have more people out of work than at any time in Canadian history and an inflation rate that runs on virtually unabated.

How many realize that in the last nine months of 1976, real growth in this country was virtually non existent. Annualized, we had .4 of 1% growth compared to a projected level of 5%. That shortfall of 4.6% in this country should be compared to the United States which had a real growth of over 6% or 1% higher than their target.

Not only do we have national unemployment, but we have unemployment that is unevenly felt throughout the country. In the twelve months ended in March, there were 76,000 jobs created in Canada. Of that number, 3,000 were created in our five eastern provinces. Is it any wonder that we now have unemployment in Quebec of 10%, ranging up to 16% in Newfoundland. Surely the time has come when we must ask why our five eastern provinces are experiencing such high unemployment when all of the New England states that abut eastern Canada have significantly lower unemployment levels and better real growth. Why, for example, should the unemployment level in Quebec be higher than in any state south of the border?

The Prime Minister intends to make a speech in Winnipeg this Monday which is being billed as a major address on national unity. While he is making that speech, I hope that he stops talking in his vague, abstract, academic terms and comes down to earth, and starts explaining why regional disparities in this country have heightened during his term of office in Ottawa.

Perhaps he could explain how he intends to relieve unemployment more effectively in Quebec and the Atlantic Provinces. How he intends to get their real growth up to the national standards. And if he does that and his rhetoric is backed up with action, he will have made a significant contribution to national unity in this country, as opposed to his talking about national unity for nine years while the nation has steadily become more divided.

While we are considering such discrepancies within Canada perhaps we should ask how the United States is able — without controls — to get their inflation rate down to 5.1% last year while ours was 9.3%. Should we not ask why our real growth last year was one-third lower than theirs and our unemployment is higher?

One answer, I suggest, is that we have been sold too much government in this country. 43% of our economy is now devoted to government compared to 35% in the United States. This must be changed.

Since 1971 the government's take of our Gross National Product has risen from 38% to 43%, and of that 5% increase, 80% has taken place at the federal government level.

This puts a relatively non-productive load on our workers, those that are producing our wealth, which in turn contributes to their lack of competitiveness when we have to meet Americans or others in the international market place.

The Prime Minister knows that when he took power in 1968, our inflation rate was 3.3% compared to 9.3% last year. He knows that unemployment in Canada in March 1968, the month before he became Prime Minister, was 4.9% compared to 8.1% last month. In 1968 we had a real growth of 5.8%.

Most importantly, he knows that unemployment in Quebec has risen during his term from 6.7% to over 10% and that there are over 130,000 more jobless in Quebec today than in March 1968.

Much as the Prime Minister may wish to distract, he must be asked to account for his record.

We have never completely made up our mind in this country whether to follow the free enterprise system or a modified form of socialism. So a hybrid system has evolved in Canada. It is not fully free enterprise nor is it straight socialism. It is a socio-enterprise approach. One part state control to three parts private enterprise. This has led us into peculiar combinations.

We have a state-owned airline competing with private carriers, but Air Canada has the advantage of reporting to the same ministry that decides who gets what routes. Now it is proposed to increase the capital of Air Canada to three quarters of a billion dollars which will likely make it the most lavishly capitalized airline in the world.

Presumably looking to Great Britain and France, we have decided that we need a mini Concorde in this country. Accordingly, the government to date has invested or at least spent approximately $150 million in developing the Dehavilland Dash Seven. At last count they had sold one plane. They have to sell 250 to break even.

Our TV-Radio communications field is dominated by the CBC which of course competes with various private stations. The CBC however, for reasons never explained, has received a commitment from government that their subsidy will be increased for the next six years by 6% per year plus whatever is the inflation rate. Think what CTV could do with that deal.

And then we have the petroleum industry which was developed by private interests, that is before government stepped in. Then by systematic confusion, freezes, regulations and over-taxation, the industry was set back at least a decade so that now we have to scramble to restore our proven reserves. Here again, just when Great Britain is getting ready to sell off a portion of their holding in British Petroleum, Canada is plunging ahead with Petro Canada which has already received from the Treasury hundreds of millions of dollars. Asked why — the administration says they want to learn the business. That's costly education.

Then there is the Canada Development Corporation which has led us into the pop business. We could go on. In total, the government in response to an enquiry has found 1,200 federally owned concerns in this country and they are still counting.

It is time they stopped adding and started subtracting. It is time they stopped taxing the private concerns to pay for the deficits incurred by their state run competitors.

Speaking of government inconsistency, after having righteously practically ended speculative activity in the country, they re-introduced us to the 17th century notion of lotteries which of course were outlawed when they got out of control a century ago. But then we needed money for the Olympics and sure enough lotteries were back. Now, led by Loto Canada, government is actively and righteously promoting gambling where the odds are so loaded against the player that no gaming house in Las Vegas would have the heart to so fleece their clientele.

Before we accept the notion that somehow our lot is unavoidable, I believe it is interesting to look at the past. When Donald Macdonald and I graduated from Osgoode

Hall in 1955, inflation that year was one-fifth of 1%. Unemployment was slightly over 4%. Federal government spending was $4,275,000,000 — down $75,000,000 from the previous year. We had real growth that year of 10.1%. Government took 26% of the economy back then compared to 43% now.

What a pleasant prospect we had in our year of graduation when there was virtually full employment — or expressed another way — half the percentage unemployment we have today.

What a contrast twenty-two years later with our prime minister telling students at the University of Toronto last month that if there were no jobs for them in Canada, his heart didn't bleed — go to another country for work.

Nor was 1955 a vintage year.

In the six, mainly St. Laurent, years ending October 1958, real growth in Canada was almost 30%; federal government spending increased by 35%; monetary growth was 26%; while inflation for the entire six years was 8.6%. The Diefenbaker years were similar, with a little more real growth and a little less inflation.

Trouble began in the Pearson years when our six year inflation got up to 24%. But it is in the last six years that we have had the most sensational record of irresponsibility. In the six years ended last October, federal government spending jumped 151%; the money system was expanded by almost 100%; while real growth was 31.4% — approximately the same level as we experienced in the St. Laurent years, the Diefenbaker years and the Pearson years.

But with the money supply being increased during our last six years almost three times faster than the real growth in our economy, is it any wonder that we ended up with 55.3% inflation in that period?

The surprising thing is that we also ended up with the highest average unemployment of any of the four six-year periods I have reviewed with you.

Let us not be fooled. Some may talk about external forces causing inflation, such as Turner's favourite excuse that the anchovies off the coast of South America had disappeared. Others may blame it on the weather, such as our present minister of finance. But the fact is, without excessive money expansion triggered by government spending, Canada would not have experienced our high level of inflation. And that is the truth.

When a government spends they must tax, borrow or print more money to cover their outlay. In the final analysis, however, they must tax, be it to pay for current spending, the interest on debt, or to repay the debt itself, or they must inflict the cruelest tax of all — inflation — which results from printing excess money.

Governments often forget you do not tax corporations, you tax people, regardless of what they call the tax. Be it sales tax, corporate income tax, customs duties, or even Jacques Parizeau's new advertising tax in Quebec, it is the consumer that pays and that is why to lighten his load, government must spend less.

The Trudeau administration claim they have been restrained in their spending increases in the past two years, yet if they had abided by the guidelines they asked private industry to meet, federal spending this year would be $1.3 billion less. That extra amount once in place, regardless of who is in power, becomes difficult to reduce. That is why we must get a better handle on our run-away government spending increases.

Now we have the fallout from excessive government spending with its resultant inflation, slow real growth, high unemployment, and a current account trade deficit which in total for the last two years has been greater than the combined deficits of the United States, West Germany, France, Japan, Great Britain and Italy.

Last year our current account trade deficit was $4.3 billion. That is higher than the $3.3 billion of Great Britain, a nation we tended to pity. We even lent them money as if we were well off!

The hard fact is that this country can pretend no longer that we are prosperous. Our prosperity has been conceived essentially on the basis of our taking in each other's washing. This is what the government has fostered with its orientation to government and service-oriented work for Canadians. A larger part of our economy is devoted to services than any western country or any country of the Communist block or of the Third World. In 1967, 59% of our labour force was engaged in the service industry, with 6% in public administration. Producers of goods fell from 41% of our work force in 1967 with 24% in manufacturing, to 34.5% by 1976 with 20.3% in manufacturing.

This orientation to service activity resulted in Canada incurring a $10 billion deficit in end products world trade last year. It was $2 billion a few years ago. In short, we are becoming increasingly non-competitive in world markets. Our share of world trade is dropping. In the 1960's it was approximately 6% of world exports. Today it is 4%.

In the last three years our balance of payments deficit has averaged 2.7% of our G.N.P. Some forecast it will be 7.5% of G.N.P. by the mid 1980s, due partly to a fall off in oil and gas exports which have shoved us up in recent years. The administration may play with figures with respect to our domestic activity, but it is in the external trade area that their incompetence is most apparent. You cannot fool the international market. That is why our dollar, which has fallen by as much as 40% in relation to other currencies, has become known as the "Pierre Peso". To all this, the minister of finance states that there are no short-term solutions, no magic formulas for solving our economic woes. We agree. But where are the minister's long-term solutions? What does he see for the economy in 1980 or 1982? We do not know.

This country is uniquely situated both geographically and in regard to resources. Those resources and our geographical location should make us one of the most prosperous nations in the world. Rather than creating a hostile, often frustrating climate for business, we should make this a hospitable country for business activities. If we did that, those who are now routing business away from Canada, would then route business into Canada, not only to serve our own markets but for international trade purposes as well.

To achieve this relatively hospitable climate for business we must regulate business less. We must encourage, not discourage, entrepreneurs. We must give business a tax treatment that is relatively favourable compared to what they experience in other countries. But above all, we must restore confidence in the country. Our future is bright.

Speaking about less regulation, let me touch briefly on the questions of controls.

We in the Progressive Conservative party, when Parliament resumes next week, will be moving for an early termination of controls. We believe that there is no substantial evidence that controls have had a meaningful effect on inflation in this country. In fact, they may have created a floor for wage demands. When you suggest to workers that they are entitled to 8% for inflation, *plus* 2% for productivity *plus* 2% catchup, you are inviting an inflationary bargaining floor at 12%. Then the bargaining begins. The attitude is: How much more can be gained?

That may be the reason why the wage level for the last two years in Canada has averaged a 15% increase per year, while in the United States the level has been 9%.

But in any event, we feel whatever marginal effect controls have had on inflation, they have now become counterproductive and are contributing to our unsatisfactory economic condition. In ending the controls, hopefully by June 30th, we would suggest that the government should establish, in consultation with the provinces and its other major economic partners, guidelines or targets for the next two years for such major economic goals as real growth, new job creation, monetary growth, government spending restraint, and acceptable levels of price and wage increases.

During this next phase — at least for the first six months — while the economy readjusts to price and wage determination by market forces, price and wage increases should be monitored and reviewed. In order to allow time for proper monitoring, we would propose that, in the case of increases involving the top two hundred corporations and their unions, there be a thirty-day notice period before any change in prices or wages could take effect.

We would see publicity and moral suasion as major weapons available to the government in restraining excessive wage and price movements, but we would propose that the federal cabinet have "last resort" authority to roll back increases clearly in excess of the established guidelines and against the national interest.

Ladies and gentlemen, we have a great country in Canada. On a per capita basis we have more resources than any other country in the world; we have one-third of the world's fresh water; we have the second longest coastline in the world, and some of the richest agricultural land anywhere. In short, we have a country that could go on to new heights with effective leadership. A prosperous country, one where prosperity is shared from coast to coast, is not a country where separatism would live for long.

That is our challenge.

Currently the world bank lists us as number eight in the world in per capita income. If certain middle east countries are included, we are tenth or eleventh. We used to be number two. We can once again regain that stature if we commence now to work out a plan that will ensure that the drift we have experienced in the past five to ten years will not continue in the coming five years. That is why, ladies and gentlemen, my party is hosting the Window on Tomorrow Conference, to be held in this city on May 11. At that conference, we have invited William Simon, former U.S. Secretary of the Treasury to be our luncheon speaker, as we feel he will have some interesting insight into current international trends. Likewise, we have asked William Rees-Mogg, editor of the *London Times* to be a guest speaker. Hopefully, he can tell us how to avoid the British disease, if we have not already caught it.

Our former premier, John Robarts, will also speak with particular emphasis on the Canada of today and the threat to our unity. My leader, Joe Clark, will be the feature speaker at the concluding dinner.

But above all, I would like to emphasize that the twenty-two speakers that will be in attendance as participants will be asked to focus on what we should be doing today in Canada to ensure that we will have the prosperity that should be ours in the 1980s.

The Governor of the state of New Hampshire, Meldrim Thompson, will be with us to explain how his government has achieved an unemployment level in the 4% range with vibrant business activity, while neighbouring Quebec has unemployment of over 10% and one of the lowest growth rates on the continent.

New Hampshire, last year, with a population one tenth the size of our five eastern provinces, created over 6,000 jobs — twice as many as were created for our eight million eastern Canadians.

We have labour union leaders joining us, such as Ron Lang of the C.L.C. and Neil Reimer of the International Union of Oil, Chemical and Atomic Workers. We have business leaders such as Jean de Grandpré of Bell and Alf Powis of Noranda Mines.

But to make the conference a success, we need not only these gentlemen, not only Simon Reisman or Bob McIntosh of the Bank of Nova Scotia, André Raynauld (now a member of the Quebec Legislature, formerly chairman of the Economic Council of Canada) who will all be there. We need your participation to ensure that a dialogue begins in this country that will help lead to the solutions that are needed to enable us to regain our momentum and prosperity.

Thank you.

The appreciation of the audience was expressed by Mr. Henry N. R. Jackman, a Past President of The Empire Club of Canada.

APRIL 21, 1977

Ontario and the National Dream

AN ADDRESS BY The Honourable William G. Davis,
Q.C., LL.D.,
PREMIER OF ONTARIO

CHAIRMAN The President,
William M. Karn

MR. KARN:

Mr. Premier, My Lord Nelson, Honourable Ministers, Reverend Sir, distinguished guests, ladies and gentlemen: We are most pleased to welcome such a large number of members and guests today in honour of the Premier of Ontario, who is a faithful member and loyal supporter of The Empire Club of Canada. It is not every speaker who would plan such activities as the release of his annual budget — $13.6 billions in this instance — and delay a possible announcement of an election, just to build an audience for our club, when we were holding this large Canadian Room in reserve.

Sir — the audience today is in keeping with the statistical announcement of March 20th, 1977, which must have been warmly reassuring to you: 52 — 29 — 19.

Ladies and gentlemen, these figures do not relate to the winner of any beauty contest, but represented the preferences of a sampling of the Ontario electorate for the leaders of the three political parties at Queen's Park, according to the latest Gallup Poll.

Now that the Honourable Darcy McKeough has established his target of dollars, taxes and tactics, we note that among his other colleagues in the Legislature our speaker is today accompanied by the Honourable Margaret Scrivener whose responsibility it is to harvest the needed revenue. We know that her dedication to that duty will not diminish the admiration and respect held for her by all of her fellow Empire Club members. Moreover, she helped me arrange for our guest of honour today.

Mr. Davis is the fifth consecutive Progressive Conservative to hold the office of Premier of Ontario since 1943. After studying at his Brampton home town schools, University of Toronto and Osgoode Hall Law School, he was called to the bar in 1955, building upon the foundation in law established by his illustrious father.

The political environment of Peel must also have influenced our guest of honour who succeeded the much admired Honourable Thomas Kennedy as member for Peel riding in June 1959. Today he enjoys the staunch support of the riding of Brampton.

After serving on several committees of the Legislature, he again proved the adage that youth will have its day by being appointed Minister of Education in 1962, at the tender age of 33, receiving the additional portfolio of University Affairs in 1964.

In these posts he presided over a dramatic expansion and re-shaping of the province's education system to meet the post-war population boom and the growing expectations of its young people.

It was therefore no surprise when in 1971, after a dozen years of internship, he should assume the mantle of Premier from the Honourable John P. Robarts, who is now the Honorary Solicitor of our Empire Club, and that he should promptly establish his own style by reorganizing government structures and people. Since that time, and later as leader of a minority government following the 1975 election, his administrative skills and political experience have enabled him to provide government which reflects a sound businesslike approach and a compassionate understanding of the needs of people.

Today he is vitally concerned with the necessity of Ontario doing its part in keeping Canada a strong and united whole, and I am honoured to invite the Honourable William G. Davis, Q.C., M.P.P., LL.D., Premier of Ontario, to speak to us on the subject, "Ontario and the National Dream".

THE HONOURABLE WILLIAM G. DAVIS: Mr. President, friends, fellow Canadians: It is good to be here with you this afternoon, although I have to admit quite frankly that I come with some trepidation. There are some, no doubt, who would expect that I might use the platform of the Empire Club to announce a provincial election. For those who may have come today with such expectations I convey my apologies.

Similarly I apologize to any who might have thought this to be a good occasion to deal with some province-wide political issues in a fashion that might be helpful should we find ourselves in a provincial election at some early date. Today, in my opinion, is not the day for that kind of speech. There may have been times when the forum of the Empire Club has been an appropriate place for various political leaders to advance notions and ideas, in the context of seeking public support, but that is not my purpose on this occasion. I am hopeful you will not take me to task for coming to that conclusion.

I would suggest, however, that the political and economic circumstance that prevails in this country today is one which surely begins to challenge many of the thoughts and views which have been expressed in recent years by political leaders of all affiliations, as well as by the captains of industry and labour.

I realize that, when you think back to some of the people who have spoken to you, prime ministers, premiers, presidents of corporations, labour union leaders, or whoever, the net impression of what they have said is likely to be a hazy blur. Nevertheless, to the extent that you can recall those past messages, you may now be asking yourself what relevance most of them have had to the particular challenges that now face this country.

I don't know how many politicians, and I group myself in this context when I raise these doubts, have ever been prepared to create any real distance between themselves and the three or four basic strains of contemporary thinking which have been applied to the political or economic problems of our day. For, in frankness, it is not an easy thing for someone holding public office to depart in any radical sense from what appears to be the common wisdom. Nevertheless, it is fair and justifiable to expect from our leaders that, while they not reject the common wisdom, they be something more than just an unquestioning servant of it.

Let me confess that I regard myself as one who has more than a fair share of the common wisdom within his own political philosophy and past commitments. But the events of the last year or so in this country raise questions, for me at least, as to whether the time has come for thoughtful people, in positions of leadership, to seek a broader and more integrated understanding of the whole range of problems which we now face.

For, it seems to me, that we face a danger in this country of being unable to meet the fundamental challenge of our own political and economic survival because we have chosen to paralyze ourselves with constraints which while real may not be relevant.

I am reminded of the arguments that were advanced relative to the establishment of a secret intelligence organization in the free world during the years preceding World War II. There was, we are told, a great distaste for the establishment of that kind of organization — it would have been ungentlemanly, secretive and not really in keeping with the thrust and fairness of an open and democratic society. Nevertheless, the reality was clear. Others who shared no feeling for democracy and no tradition of freedom were quite prepared to deploy such means in the advancement of their own purposes and nefarious goals.

Ultimately the western world, and the Atlantic Alliance which was formed, did succeed in meeting covert action with covert action and in a sense preserved democracy and freedom as a heritage for us.

Now, in 1977, we face a very real challenge to the absolute viability of the political entity which we have come to know as Canada. Just as important, we face a very real economic challenge to maintain the era of prosperity and economic freedom which we have come to enjoy in this country. As in my example, however, we must ask whether, in meeting these challenges, we are in danger of constraining ourselves and limiting ourselves in a fashion that may be contrary to our ultimate interests.

Let me be specific. How many of us, in looking at the economy, in looking at the statistical measurements of its performance and success, find ourselves constrained by some of the old arguments and the old clichés that are applied to this area of our natural endeavour.

It is important, I think, that we understand why an economy must function properly and what the ultimate purpose of that function should be.

Certainly, it is interesting and by no means unimportant to deal in terms of the amount of economic capacity being used, the level of employment being sustained and the margins of profitability which are realistic.

But, in the final analysis, when you talk about profits and the way they are essential to economic growth and security, or when you talk about productivity and the way it is essential to competitiveness and economic livelihood, you are really talking about people, people who are prepared to take a risk with their capital because there would be a meaningful return if their judgement proves to be correct or partially correct, people who are prepared to amass and direct capital into the expansion of industry and job-creating activities, people who are prepared to speculate on the growth and vitality and confidence of this country and thereby put their money to work in the broad national interest.

When you talk about productivity you talk about industry, its management and its labour component, the people who try to make things run appropriately and the people who are responsible for actually getting the work done; people who are prepared to co-operate and work together in a fashion that provides the greatest possible output for the time, finances and material being committed.

That too is an expression of confidence, confidence in the fruits of one's labour and in our ability to meet our needs for survival, well-being, growth and security.

In that context, I find it both belittling for our country and insulting to the average Canadian to see so many tied up in the rather semantic debate as to whether it is unemployment or inflation which happens to be more important or more serious at any one point in time.

I say to you very frankly that it is an obsession with an "either/or" approach to economic understanding which is, in very large terms, responsible for the boom and bust cycle which those of us who are committed to a free economy should be doing more to avoid.

It is hard to expect expanded productivity from an individual whose salary cheque is simply not large enough to sustain his quality of life and to allow him to build a secure future for his family. It is similarly naive to somehow hope that for the person who is genuinely unemployed a rate of unemployment which dropped six-tenths of a per cent or three-tenths of a per cent can have any possible bearing at all. For that person the level of unemployment is 100%, as is the level of alienation and despair.

Further, I believe that we have to be careful that we do not allow ourselves to become slaves to any analysis or ideology which would appear to hold a simple solution to a complex problem. In general, our approach is not necessarily in terms of problems and solutions. What we really have had to do in recent years is deal with each set of problems in a fashion that will not create too many further problems if our efforts are to be regarded as successful.

That is the reality we have to face, the reality of trade offs, balances and the ultimate notion of fairness and freedom.

In dealing with the political future of this country I think it is equally as dangerous to allow ourselves to be limited to old solutions and assumptions. Again let me be specific.

The government of the province of Quebec, as it is now constituted, is committed to the independence of that province from Canada and to some economic association with this country thereafter. Setting aside the road blocks to independence with which the government of Quebec has itself admitted it must be prepared to deal, I think it is important that we clearly understand how far Canadians, both as individuals and as participants in the national way of life, are prepared to go in the debate and the dialogue in which we will be engaged for some time to come.

I have said this in Quebec and I said this in the Legislature of our province on Monday night and I say it again to you today.

Insofar as all those involved in the debate are trying to find a creative, just, and viable resolution of the problem, I believe that fair mindedness, and a genuine spirit of understanding will prevail. As soon, however, as doors are closed, debates are ended and discussions are terminated, those who are responsible for that termination and that closing off of options would be naive to believe that the same spirit of understanding will continue thereafter.

In clear terms that means that it would be absolutely foolhardy for the government of Quebec to believe that it could have both independence and economic association with the rest of Canada.

Moreover, I would not be prepared to commit the government of this province, and the people whom we serve, to that kind of understanding with any government.

In this regard, I took particular offense, and said so when I went to the province of Quebec, at the tenor and thrust of the address offered to you by the minister of finance of Quebec. I asked both rhetorically and directly who is he and for that matter who is anyone to say to the people of this country, to say to you, to say to me, to say to *any* Canadian that the debate is over, the discussions have ended, the time for negotiation has passed. As long as I am premier of this province and am able to serve politically, that kind of defeatism will not be acceptable to the province of Ontario.

We should also deal, I believe, with a couple of other assumptions that have become part of the mythology that surrounds much of the debate. Those who suggest that there is a quid pro quo with respect to French language services here in Ontario and the ultimate posture of the government of Quebec with respect to that province's future do so without any basis in fact.

I take some issue with those who would suggest that the rights of French-speaking citizens in this province somehow hang tenuously upon what may or may not transpire in another province.

I took particular umbrage when it was suggested in northern Ontario that there would not be much left of French language rights in Ontario should Quebec decide to secede.

The rights of French-speaking citizens in this province, social, political, economic, cultural and educational, are not negotiable. They are part of the general structure of Ontario's society. My government will continue to try, wherever possible, practical and feasible, to increase French language services where the French-speaking population justifies that kind of activity.

We shall build a French language school in Essex County despite the inability of the school board in that region and the local opposition members to understand how important it is for Ontario and for Canada that that school be built.

We will seek to enhance, through various measures, the survival of a distinct, creative, rich and beautiful Franco-Ontarian culture in this province. That culture will survive irrespective of what the province of Quebec may or may not choose to do either with respect to its own minorities or its own ultimate political status.

The province of Ontario faces, in the context of many of the topics upon which I have touched, a particular challenge due to our pivotal position within this nation's economy and the tremendous significance to this country's strength and unity of our economic and political vitality as a province.

What I have really come here to say to you, irrespective of what your own political affiliation may be, is that we all have a duty to ensure in the days, weeks, months and years ahead that Ontario is always prepared to provide that kind of economic, social and political leadership which contributes to national stability, national confidence and national progress.

I take pride in the decision of this government some months ago to make it perfectly clear that there could not be a movement to any semblance of a post-economic control strategy without co-operation and consultation between labour, business and government.

I do not believe that, in this day and age, there can ever be a behind-the-scenes agreement, put together in private, that would have any binding affect upon the direction and growth of our national or provincial economy. But I do know that it is high time for government and business and labour to speak a lot more frankly with each other about the problems we all face, the constraints we are all under and the ways in which we can indeed work together.

Part of the essential freedom and balance of our society is based upon the existence of powerful groups who are prepared to keep each other honest by pursuing their own interest and crying foul when they believe that to be appropriate. It would be a mistake for any multipartite approach to the economy to try and limit the counter-balancing affect of that reality.

That does not mean that government does not have a paramount responsibility to ensure that insofar as it is possible the relationship between labour and management, the relationship between management and labour and government, is not undermined by misinformation, misunderstanding and mythology. The stakes are simply too high. There are eleven governments in this country, each trying to cope with its own particular piece of the economic challenge. Whether or not we are over-governed, it is important for us all to understand that, for the average citizen of this country, all those governments form one single, large perception, which they see as being either fair or unfair, responsive, humane or otherwise.

In a sense we are all like survivors in a life raft. If ten of us are doing a good job and trying to be responsible but one is prepared to poke his oar through the bottom of the raft, then we will all, in one way or another, face the same fate.

If that applies to governments, my friends, it applies to corporations and trade unions and institutions for professional and business advancement. We are dealing with a nation that is indeed fragile, both in terms of the economic forces that bind us together and in terms of the politics which underlie our government structure.

I say to you that we in Ontario have a tremendous opportunity to begin to rebuild the national fabric of this country. We can do it through faith in ourselves and in our institutions. We can do it by ensuring that in positions of leadership in government and industry and labour there are people who care about whether or not those institutions justify that faith.

We can do it through confidence in our capacity to produce and to grow. We can do it through understanding for our fellow citizen and for the joint role we all have in building what has made Ontario particularly special, particularly prosperous and a particularly stable and secure place to live. We merely have to have the courage to give less attention to those who preach doom and gloom as a way of life and who seek to divide our society rather than unite it for their own short-term economic or political goals.

The challenge facing this country is neither one of economics nor politics. It is one of faith and confidence and self-respect. We have a lot to believe in this country for and much to respect ourselves for.

I ask all of you as citizens to understand that no one government, no one party, no one man or woman can build a national community alone. We must all put in our oar, all join in offering to do our share.

This province of ours remains the essence of opportunity and freedom, the quintessence of fairness, democracy and compassion. Let us join as citizens and as Canadians to preserve it for our children and for Canada.

The appreciation of the audience was expressed by Mr. Joseph H. Potts, C.D., Q.C., a Past President of The Empire Club of Canada.

APRIL 28, 1977

Canada, Quebec and the Constitution

AN ADDRESS BY Senator Eugene A. Forsey, Q.C., PH.D., LL.D.,

CHAIRMAN The President,
William L. Karn

MR. KARN:

Right Honourable Sir, Your Honour, Senator Forsey, distinguished guests, ladies and gentlemen: We are indeed honoured to be welcoming as our guest of honour today a member of the Senate of Canada whose *curriculum vita* should include more superlatives than any other, but which, in keeping with his accustomed modesty, merely lists his many accomplishments. The length of that list is prodigious.

Senator Forsey, who entered this world in Grand Bank, Newfoundland, just eighteen months after the founding of The Empire Club of Canada, even now displays more energy than many men several years his junior. When we originally asked him to consider visiting with us, he begged for consideration of his work load, his health and his age, and it was therefore with some misgivings that I pressed on with a formal invitation. His acceptance confirms the hallmark of this sterling servant of Canada. His remarks today will not only enlighten us on several aspects of our constitution, but will also form a significant chapter in our series of year books for reference and study by future generations of Canadians.

Two weeks ago I heard that he had laryngitis and I had to scramble to find an alternate speaker for April 14. I was reminded of a happening in my years as a student, working in the summer with steel riggers and boiler makers who were erecting a power house in a pulp mill in eastern Canada. One of them contracted laryngitis.

He worked all day, he took his evening meal, and he went to the doctor's office in the evening. The office was in the doctor's house, and the doctor's charming wife was acting as his nurse.

The steel rigger knocked on the door and in his maximum volume possible whispered, "Is the doctor in?"

The wife said, "No — come on in!"

Senator Forsey's love for economics and political science, philosophy and English shone through his illustrious academic career which began at McGill University with a B.A. in 1925, and an M.A. in 1926. This earned him a Rhodes Scholarship, which took him to Balliol College, Oxford, where he again acquired a B.A. in 1928, and a second M.A. in 1932. McGill University granted him his Ph.D. in 1941. Our guest of honour generously shared with others his knowledge of political science, economics and history, by lecturing over a period of forty-two years at McGill, Carleton, Waterloo and Queen's Universities. For twenty-seven years, from 1942 to 1969, he was Director of Research and of Special Projects for the Canadian Labour Congress and its predecessor.

To the betterment of community life, at home and abroad, he has made a commendable contribution, serving through the Board of Evangelism and Social Service of the United Church of Canada in its commission on biculturalism; as Canadian co-ordinator, World University Service Seminar, Mysore, India; as a member of the Board of Broadcast Governors; as a member of the advisory council of the Institute of Social and Economic Research, Memorial University; as a member of the Ontario Advisory Committee on Confedaration, 1965 to 1970; and first as Governor, and since 1973 as Chancellor of Trent University.

He is an author of note. May I mention his latest book, published in 1974, entitled *Freedom and Order*.

Honorary degrees, eleven in number, have been showered upon him by universities from Newfoundland to Saskatchewan. When I visited at his office on November 12, a parliamentary holiday in Ottawa, he was one of the two or three people at work on Parliament Hill. He was preparing his address for the Carleton University Convocation the day following.

"Vir clarissime, te, ab academis illustribus undecies honoratum, propter multa beneficia publica, in societatem impericaem animo grato accipimus."

In case there may be one or two in the audience who have lost their facility with Latin, as I myself have done, may I translate what I was trying to say.

Illustrious Sir, we warmly welcome you to the Empire Club, you who have eleven times been honoured by distinguished universities on account of your many public services.

For these many services to Canada, Senator Forsey was made a Fellow of the Royal Society of Canada in 1968, and of the Order of Canada in 1969, being summoned to the Senate in 1970.

Although his biography states that he stood as a candidate in elections for Montreal City Council, the Ontario Legislature and the House of Commons, there is no mention of his winning. However, his current recognition is undoubtedly the envy of several lesser politicians who may have been elected in his stead.

Sir John A. Macdonald once said that "in the Upper House, the controlling and regulating but not initiating branch, we have the sober second thought in legislation." Some critics might even say the first thought! Stephen Leacock, a teacher of Eugene Forsey at McGill, described himself as a liberal Conservative or a conservative Liberal, with a strong dash of sympathy with the socialist idea, a friend of labour and a believer in progressive radicalism. He said that he did not desire office, but would take a seat in the Canadian Senate at five minutes notice. I wonder how far off the mark he was in describing our guest of honour today.

Ladies and gentlemen, I am highly honoured to invite Senator Eugene A. Forsey to speak to us on the subject which he revealed to me ten minutes ago, "Canada, Quebec and the Constitution".

SENATOR FORSEY:

Your Honour, Mr. President, ladies and gentlemen: After that glowing introduction, I am afraid that you will be expecting something very much better than you are at all likely to get.

Some of you have perhaps heard me tell the story of the introduction I got once in Prince Edward Island, which for candour and brevity I think left nothing to be desired, and also certainly had the merit, from the point of view of the speaker, of not leading to exaggerated hopes. They had asked John Dickey, who was a Parliamentary Assistant in the St. Laurent government, to be the star turn on this occasion, an adult education conference. In his honour, they had got the premier of the province to take the chair. The premier gave John Dickey a perfectly orthodox introduction, but when it came to me it was perfectly evident he had never heard of me in his life, and this was too soon. His introduction was simply this: "Ladies and gentlemen, here's Mr. Forsey. I don't know much about him, but here he is."

That certainly had the advantage for the speaker of not raising anybody's hopes. After that, no matter how badly I did, nobody could go away saying, "We were led to expect great things, and look what we got."

Today I am not in that happy position. I have been covered with flowers, garlanded so to speak, by the President. To my great embarrassment, I must confess that the Latin quotation passed me by completely. Many years ago I might have understood it, but I certainly do not now. It reminded me of a story of my great-grandfather, who emigrated from Nova Scotia to Gaspé in 1851, who on one occasion was teasing an old Irishman in Gaspé, Mr. Doolan.

He said, "Mr. Doolan, do you understand Latin?"

"No, Mr. Shaw."

"Do any of the people in your church understand Latin?"

"No, Mr. Shaw."

"But you have all your services in Latin."

"Yes, Mr. Shaw."

"Well, how do you account for that?"

The old man looked at him for a minute or two, and then he said, "Well, I'll tell you, Mr. Shaw. Latin is the only language that mystifies the devil."

I hope this doesn't mean that today I find myself here in a diabolical capacity.

I was originally put down on the paper, I believe, as talking about repatriation of the Constitution. I'm afraid that's a dead duck for the present, and I don't therefore propose to talk about it. I recognize that it's a bit disconcerting to have somebody announce to talk about one thing and find that he's going to talk about another. But I think you'll agree that the subject of "Canada, Quebec and the Constitution" is topical. You can't say that it is something entirely academic, something up in the stratosphere which only professors or such people are interested in. On the contrary, it is a matter of deadly seriousness and profound danger that we deal with when we undertake to discuss this subject.

I want to say at the very beginning that nobody is responsible for anything that I say today except myself. I don't want anybody chalking up any indiscretions of mine or any unfortunate words or any false ideas to the discredit of the Liberal party, the government of Canada, the Senate, the United Church of Canada, the Royal Society of Canada, the Order of Canada, or any other body that I may have the good fortune to belong to. Having said that I think I can plunge — and here I remember one bit of Latin — *in medias res.*

I think the Latin scholars will agree that that is probably correct. I shall plunge right into the middle of what I want to say.

I put down the subject in my own head, and subsequently confided it to the president, "Canada, Quebec and the Constitution", and I felt that one of the first things I must do was to say at once that I do not regard this as the most important aspect of this general subject of Canada, and Quebec, and national unity. I admit at once what various people have hurled at me on occasion, at discussions after a speech, that the Constitution doesn't settle the thing. Many people have got up after a speech of mine and said, "Does the Constitution really matter? If Quebec is determined to get out, won't she get out anyway?"

My answer to that has been that if you can bring off a successful revolution, like the one in which the rebellious inhabitants of the Thirteen Colonies drove out some of my ancestors, then the constitution of the time obviously does not matter. But my impression has always been that Monsieur Lévesque and the Parti Québécois intended to do this thing peacefully, and if possible at all events, constitutionally. If that impression is false, then we are in even worse state than I had supposed. However, I am making that assumption, and I think therefore that it is of some importance to see exactly what the constitutional position is. That leads one a little aside into some other matters which are perhaps not strictly constitutional, but I think are relevant, nonetheless.

I feel that before I say anything else, I really ought to close my eyes and utter the prayer which everyone preaching in our little French church where I shall, in about ten days, if I survive, be preaching my nineteenth French sermon — Protestant ministers of the French language being rather scarce, the laity have to pitch in when the minister is away — and I venture to think that on the whole my French is superior to that of my old friend John Diefenbaker. What the preacher always says before the sermon is, “Que les paroles de ma bouche et les méditations de nos cœurs te soient agréables, O Seigneur, notre roche et notre rédempteur!”

For those of you who are not even half bilingual, like me, that means “May the words of my mouth and the meditations of our hearts be acceptable in thy sight, O Lord, our strength and our Redeemer.”

I say this very seriously, because this is such an important question, such a vital question, such a crucial question, one that goes so deeply into the whole life of Canada, and in the long run, of every Canadian citizen of whatever degree or importance, that I feel that it has to be dealt with in a spirit of humility, a prayerful spirit. I hope also, a thoughtful spirit. I don’t think a prayerful spirit excludes the use of our minds.

“Thou shalt love the Lord thy God with all thy heart and with all thy *mind*, and with all thy soul, and thy neighbour as thyself.”

There are certain basic facts that need to be made clear, first of all, about this question of Canada, Quebec and the Constitution.

First, can Quebec legally secede from Canada under our present Constitution? The answer is no. The provincial legislatures have only the powers given to them by the British North America Act, and you can search that Act from end to end and find not so much as one syllable which gives any province the power to secede.

Is there any way in which Quebec could constitutionally get out of Canada? And the answer is yes. What is it? There would have to be an amendment to the British North America Act, passed by the British Parliament.

There are certain amendments to the British North America Act that we can pass ourselves in our own Parliament. We could, in fact, abolish the monarchy (or I might add, the Senate — descending from great things to small) by a simple Act of Parliament, just as easily, legally speaking, as we can amend the Food and Drugs Act or the Criminal Code. But there is a vast area of jurisdiction which is reserved to the British Parliament in strict law, and one part of that area is the powers of the legislatures of the provinces. If we want to give any province extra powers, it must be done by an amendment of the British North America Act passed by the United Kingdom Parliament.

The United Kingdom Parliament, of course, in these matters acts simply as a rubber stamp. If the Parliament of Canada asks for an amendment, the Parliament of the United Kingdom passes it practically instantaneously. I don't think it would take even as long as it did over passing the original British North America Act, which as you will remember, Sir John A. Macdonald or Sir Alexander Galt — I've forgotten which of them — said that they did as easily and quickly as if they were changing the boundaries of an English parish.

In what circumstances, however, will the Parliament of Canada ask for an amendment of this sort? Is there any condition precedent? I think the answer is that ever since 1930, every amendment of the British North America Act which has directly affected the provinces has been passed only after the unanimous consent either of the provinces concerned, such as in the case of the four western provinces' natural resources, or all the provinces. My friend, Professor Lederman, now the dean of constitutional law professors in the country, has laid it down in a recent speech in Halifax that this not only constitutes a constitutional convention, a rule of constitutional usage, but that he believes it to be recognized by the courts as having the force of law.

With great deference, and diffidence, and proper humility I venture to be just a little bit doubtful of its being quite as firm as that. I speak in the presence of distinguished lawyers, who may be shaking their heads and saying "Fools rush in where lawyers fear to tread." But I should say that certainly it is a constitutional usage now that an amendment would not be sought without at least the virtually unanimous consent of the provinces.

I can think it possible myself that the Parliament of Canada might go ahead if, let us say, Prince Edward Island alone, or my native province of Newfoundland alone, objected. But I feel quite confident that there would have to be virtually unanimous consent of the provinces.

The answer to the question "Could Quebec legally and constitutionally secede?" is yes, provided all the other provinces consented, or nearly all the other provinces.

That leads me, then, to the somewhat less strictly constitutional aspect of the question. In what circumstances would the provinces agree to give their unanimous, or nearly unanimous, consent? I think the answer to that is that there would have to be a great deal of very tough, hard-nosed bargaining; and this, even if there was the greatest good will on both sides, and I am afraid that much as we may desire that good will it might not be entirely ubiquitous. There might be sour, jarring notes struck. I am not by any means convinced that it would be a situation where the French Canadians of Quebec would be so thankful to get us off their backs and we would be so thankful to get them off our backs that everybody would be in a spirit of beautiful brotherly love and accommodation on every subject, even the toughest problem. I am afraid that would not be so.

Anyway, even if it were so, there are some extraordinarily tough problems that would have to be solved before the provinces, or the Parliament of Canada for that matter, would give consent to such an amendment. For one thing, there is the question of the boundaries of Quebec. I don't think there is any doubt that the Parti Québécois would want to seize, by some means or other, Labrador. I am a fifth generation Newfoundlander, and I have said more than once, publicly and privately, that if there is any question of trying to seize Labrador every Newfoundlander in the world would rise to the defence of that boundary, and all the dead ones would rise from their graves and join us. As Dr. Howes would confirm, I think, Newfoundlanders are fairly tough specimens. About a third of them are of Irish ancestry, and most of the rest of us, like myself, are west country English. Most of us came originally from Devon and Somerset, possibly a few from Cornwall and other parts of the west country.

Then there's also the question of Ungava, the great big territory that was given to Quebec in 1898 and 1912, and given to it simply as a province of Canada. It was a territory bought by Canada, with Canadian money, from the Hudson's Bay Company, and given to Quebec to administer as part of the province *as a province of Canada.* If Quebec becomes a foreign country, then as one of my former colleagues in the House of Commons said, "It's a new ball game." It doesn't follow that they can take that territory with them. I am told that in 1912 the population of the territory consisted of three Scotsmen, two Irishmen, one Englishman, one Welshman and three French Canadians, something of that sort. At any rate, the whole lot of Europeans put together came to about a dozen, or less than twenty. I got this information from somebody whose veracity I am inclined to trust. So there would be this question.

Then, of course, if you look up the draft constitution of the Parti Québécois, drawn up by the present minister of education, Jacques-Yvan Morin, in 1971, it says that they expect to take over contiguous territories of Ontario and New Brunswick inhabited by a French Canadian majority.

I don't know whether that is still part of their official program, but I said many years ago, before there was any chance, it appeared, of these gentry becoming the government of Quebec, I said that there would almost certainly be a movement in an independent Quebec for a Laurentia irredenta, there would be an irredentist movement, an appeal to bring our "oppressed and despised brothers in New Brunswick and Ontario" within the borders of the French Canadian state, or the Laurentian state, whatever it would be called.

I don't think there is any question that there would be some kind of attempt to get these territories. Whether the French Canadians of Ontario and New Brunswick would be very anxious to go into this new state is, I think, somewhat problematic, but I should not venture to undertake any positive opinion on that.

Then there would, of course, be the question of a corridor between the Atlantic provinces and the rest of Canada. There would be the question of the division of the national debt and the national assets, and this could be a very difficult one. There would be the question of the St. Lawrence Seaway, in which, after all, the Americans have certain legal rights, and they are perhaps even tougher than Newfoundlanders. They have also a great deal more clout, and are not at all likely to take lying down any invasion or abridgement of their rights in the St. Lawrence Seaway.

I thought that question of the St. Lawrence Seaway was a pretty difficult one, pretty complex, till I read the book published a year or so ago, *One Country or Two*, by McGill-Queen's Press. When I read the section on the St. Lawrence Seaway, I can only describe my sensations by quoting the Queen of Sheba on Solomon: "The half hath not been told unto me." The complexities of the subject were fifty times what I had supposed, and I had thought they were considerable.

These are some of the problems, I don't know that I have mentioned even all of them, but some of the problems that will come up in bargaining. Once the new state had been established, at least, or possibly before the negotiations were concluded, there would come up the question of this famous "economic association", between an independent Quebec and what was left of Canada.

This is one of M. Lévesque's trump cards, in Quebec and out of it. In Quebec, he is trying to reassure the very large body of French Canadians who are scared stiff of independence, or are at least very worried about it. I assure you, there is a large body. A certain number of people, amiable people, full of good will, with minds open at both ends, with the gales of Heaven blowing through, are inclined to think that this economic association will solve all the problems. Mr. Lévesque is very anxious that people should think that. He says to the people of Quebec who need to be reassured, and he says to the people outside who need to be reassured, "Don't worry about the economic side of it."

This is not reassuring to the large body of French Canadian Quebec members in Ottawa who are very determined to fight this thing to the limit, who do not take it for granted, as some English-speaking academics do, that the jig is up and that the only thing that is left to us is to hurry up and make our terms with Mr. Lévesque as fast as we can do it.

This idea of economic association is being used to delude people into the notion that the separation of the country into two parts, the unscrambling of the Canadian economy, would be economically painless.

"Perfectly easy! We would have a common tariff, a common central banking system, a common monetary policy."

I noticed the other day that this committee for a new constitution said that the jurisdiction over central banking would be shared. I'd love to find a central banker who could tell me how to split the jurisdiction over central banking. I think he could immediately apply for the job of Governor of the Bank of Canada, and the present Governor would be delighted to make way for him. He would be a genius, brought down from Heaven.

Well anyway, you would have this common tariff, common monetary policy, common transcontinental transportation policy — everything simple and easy. No disturbance economically at all.

Well — the only way you could have a common tariff, a common central bank, a common monetary policy and so forth, would be either to have an authority regulating these things in which Canada, as the larger partner would have the final say, or one in which you would have a 50/50 arrangement, with Quebec and Canada with equal voices.

This latter I always understood to be the Parti Québécois proposal.

I put it to Mr. Lévesque one time, as we both sat cross-legged on the floor of a gymnasium in Winnipeg after a speech he had made, that I didn't think this 50/50 arrangement would work — I'll tell you in a moment: wait for the dénouement! Wait for the punch line! I'll tell you in a moment his reply.

When I put it to him that I didn't think it would work, I put it to him like this: "Quebec would undoubtedly want the common tariff raised on the products of various Quebec industries like textiles and boots and shoes, which are in a very difficult situation." This was some years ago. It's worse now.

I said, "But Canada might say, 'No, not a bit of it. Those are not our industries any more. They are yours and they are your affair. We don't want the common tariff raised on these things. We want cheap textiles and boots and shoes, wherever we can get them. We want the common tariff lowered.' "

Then I said, "In monetary policy, you would almost certainly ask for a great expansion of the money supply in order to cope with your unemployment situation, and Canada would almost certainly say 'No. We are afraid of that. It might lead to gross inflation. We want the money supply rather restricted.' "

Finally I said, "It seems to me that either side would have a complete, absolute veto on something the other side regarded as absolutely essential."

Well, to my absolute flabbergasted amazement — if I hadn't already been sitting on the floor I should have undoubtedly fallen off my perch — Mr. Lévesque replied, "Oh, not necessarily 50/50: one third/two thirds."

And I said, "But Mr. Lévesque, for years you people have been complaining, wrongly I think, but you have been complaining, that you were in a minority of one third. If you accepted that arrangement, you *would* be in a perpetual minority of one third, locked in, tight."

I see no escape from this dilemma. Either in this common management Canada would have the final voice, and I can't see an independent Quebec accepting that. Or Quebec and Canada would have equal voices, and I can't see either Quebec or Canada accepting that. This economic association thing is a horse that won't run. That needs to be driven home hard to the people of both Quebec and of the rest of Canada. *This will not work!* It is out of the question. If Quebec gets independence, it will get it, as I have said elsewhere, neat. It will not get economic association. The thing is simply impossible. If it did get it, the thing would blow up before you could say "Jack Robinson".

Now I want to say just one or two things more, which I think are relevant.

Many people, faced with this situation, come forward with a single word which they appear to think possesses all the magic of what the old lady called "that blessed word Mesopotamia in the Scripture", from which she had derived such help, strength and comfort. And the blessed word is "decentralization".

I want to put people on their guard against the magic of that word. Canada is now probably the most decentralized federation in the world. On paper, perhaps, Switzerland is slightly more decentralized. In fact, I doubt if Switzerland is more decentralized. Furthermore, not only is that true but over the last ten years, years in which the present prime minister has been either Minister of Justice or Prime Minister, there has been a massive transfer of real power from the dominion to the provinces. And if you think this is merely the mouthing of an old John A. Macdonald Conservative, then I invite you to look at a recent article by Professor Simeon, the head of the Queen's University Institute of Intergovernmental Relations, in which he says this flatly. So don't take my word for it. Professor Simeon knows far more about federalism in the rest of the world than I'll ever know. This is his verdict. I think it is in accordance with the facts. It's also the verdict of Professor Ramsay Cook, also a distinguished scholar on this subject.

Let us not be led astray by this magic word decentralization. When people talk about that, tell them to get down to brass tacks and say what more they would decentralize. They would probably be able to produce a few things. I've only seen two or three things suggested and they haven't impressed me very much, I must say. I was on the Joint Committee on the Constitution some years ago, and we found two or three relatively small things which we thought with advantage could be transferred from the central authority to the provinces, but only two or three. Marriage and divorce, for example, and that part of the criminal code that deals with lotteries and Sunday observance, and certain aspects of social security which have now been dealt with by joint legislation between Quebec and the Parliament of Canada. We couldn't find very much else.

I've seen it suggested that municipal affairs might be more decentralized. Well, that nearly knocked me flat seeing that the exclusive jurisdiction over municipal institutions is now vested in the provincial legislatures. The only reason that there is a Minister of State for Urban Affairs in Ottawa is that the municipalities felt themselves so boxed in, often, by the provinces that they appealed to the Government of Canada to do something for them. It is now cautiously, carefully, doing various things without invading the actual jurisdiction, making certain services and advice available, and some money available. I can't see much that can be done there, short of taking away the Ministry of State for Urban Affairs, whereupon you would hear a howl from the municipalities which would reverberate from Vladivostok to St. John's, Newfoundland.

People talk about a new constitution. Well, let's be awfully careful that we know what we are doing there. Let us get down to brass tacks there, and say what kinds of things we need in the way of a new constitution.

It's sometimes said that our constitution is 110 years old, and after all what can you expect? Of course, it's now out of date, like Victorian plumbing, or something of that sort. Well, the American Constitution is now nearly 200 years old. They have made a few amendments to it, but most of it is of the vintage of 200 years ago, and furthermore it was an antiquated constitution when they adopted it. It was their version of the early 18th century British constitution. It's a sort of 18th century sedan chair constitution, which only the political genius of the Americans enables them to manoeuvre through modern traffic. Our constitution is a late 19th century British model constitution, which we have adapted in innumerable ways to suit our own needs, and which we are further adapting every day, partly by judicial decision, partly by legislation, partly by changing habits, customs and usages. It isn't a horse and buggy constitution. It is, perhaps you might say, a railway and telegraph constitution. But it was so admirably designed by the Fathers of Confederation to meet new situations that in spite of the ravages of the Judicial Committee of the Privy Council — "those old rascals", as my friend Mr. Cahan used to call them — in spite of the havoc that they have wrought upon the constitution that John A. Macdonald and George Etienne Cartier bequeathed to us, it still has an enormous amount of room for manoeuvre, an enormous amount of room for adaptation, an enormous amount of room for arrangements, written or otherwise, between the central authority and the provinces to cope with new situations.

I view with a very skeptical eye indeed this talk about drawing up a new constitution. The constitution we have now is fitted in general to cope with the enormous problems, more than national in their scope in many instances, let alone far more than provincial, which we have to face. I can't see that we are likely to improve matters by trying to go back a hundred years to the 1860's, which is what some of these proposals amount to.

I am convinced that we need a strong Canadian state. I am horrified by the decline in the spirit of national pride, national belief in our country, by the rise of provincialism, regionalism, all over the country. I don't decry provincialism and regionalism. Nobody who is a Newfoundlander can for one moment decry the virtue of local tradition. I am proud to be a Newfoundlander. I'm proud of being part Nova Scotian. I'm proud of my roots in Quebec, and I'm proud of the fact that I have lived most of my life in the province of Ontario. My pride in all these things is a part of my pride in being a Canadian. All these local traditions are subsumed in being a Canadian and in the Canadian tradition. I was brought up, even in the schools of Ontario, to believe that the French part of our tradition was part of my tradition just as much as the English part. I was brought up to be proud of the great work of the early French fur traders, coureurs de bois, explorers, missionaries. Proud also, I am, of the great contributions which French Canadians have made to our national life politically and otherwise, and the great contributions which they are making now, perhaps more than ever before in their history, to our national literature, music, theology, philosophy — name what you will.

The work that is being done in these subjects in Quebec is brilliant, and thrilling, heartwarming, stirring. I'm proud of all this. For me, Canada without Quebec would be tragically weakened, not only economically but spiritually. I hope very much that in this province we will continue on the path of giving more and more recognition to the French fact and the French Canadians. After all, the situation at Confederation was very different from what it is now. Then, 2½% or so of the population of Ontario was French-speaking. That was 2½% of a very small number. Now we have an enormous French Canadian population and we are doing more and more for them. It isn't always realized in Quebec how much. There is still something to be done. It takes time. You cannot produce overnight the kind of thing that was created in Quebec over centuries with the use of the two languages.

I hope we shall go on along that path. I hope we shall go on doing our best to make this whole country one where French Canadians feel it's just as much their country as it is ours, that Quebec is not their homeland. Canada is their homeland. I hope very much that we shall succeed in recreating where it needs to be recreated, strengthening where it is weak, the spirit of Canadianism, the devotion to this country, a devotion transcending all our local loyalties, all our ancestral loyalties, all our linguistic loyalties, a spirit which will enable us to realize, in the lifetime of people now living if not in my generation, the magnificent future that awaits this country if only we will keep our heads, and use our heads, and use our hearts.

The appreciation of the audience was expressed by the Rt. Hon. Roland D. Michener, P.C., Q.C., former President and former Honorary President of The Empire Club of Canada, and former Governor General of Canada.

APRIL 28, 1977

President's Report—Annual General Meeting

CHAIRMAN The President, William M. Karn

MR. KARN:

Ladies and gentlemen: Notice having been given some weeks ago in accordance with the constitution, I now declare this Annual General Meeting 1977 of The Empire Club of Canada opened.

To expedite proceedings I have prepared the President's report and distributed copies to each of you. Briefly, you have all made this a very successful year for our club — our membership has increased to over 2,500, the average attendance has risen to 366, and we have operated within our budget. It has been a great honour and privilege to have served as your President.

PRESIDENT'S REPORT

It is indeed a distinct honour and privilege to report that through the combined efforts of all members, The Empire Club of Canada has been able to complete a most successful year.

One very significant factor influencing this achievement has been our good fortune in welcoming outstanding speakers covering a broad range of subjects, many of which could not have been more topical.

The economic and political situation in Britain was brought sharply into focus when we received the Hon. James Callaghan, M.P., her Prime Minister, and Mrs. Callaghan, at a formal dinner meeting supported by The Canadian Club and other Loyal Societies, to open our fall season in September 1976. Other guests of honour from London, England were welcomed during the year.

Superimposed upon Canada's own economic weaknesses was the unexpected rise to power in Quebec of a political force dedicated to the establishment of their own Sovereign State — a direct challenge to the prime objective of The Empire Club of Canada — that of building for our country a stronger united national identity. We were honoured in providing a useful forum for speakers of great prominence from political, economic, industrial, financial, social, judicial, military, environmental and constitutional fields of endeavour reaching from Prince Rupert, B.C. to St. John's, Nfld., who dealt with several aspects of these current national problems. Their addresses will contribute greatly to a better understanding and hopefully to an amicable resolution of many of these issues.

Arising out of this critical situation was the opportunity to join forces with the Board of Trade of Metropolitan Toronto to host the Hon. Jacques Parizeau from Quebec at a very rewarding luncheon meeting which was oversubscribed by more than 2,000 members.

On a happier note, and in support of Past President Sir Arthur Chetwynd, Bt., we were privileged to launch the Canterbury Cathedral Restoration Appeal Fund Drive in Canada, by showing the film narrated by H.R.H. Prince Charles at a luncheon attended by our former Honorary President, the Rt. Hon. Roland D. Michener, P.C., Q C., our Honorary Vice-President, the Hon. Pauline McGibbon, O.C., B.A., LL.D., D.U.(Ott.), and over four hundred other distinguished members and guests.

In addition we were privileged to receive our very popular and talented Ambassadors for Canada from Peking, Tokyo, and Washington, whose observations broadened our horizons considerably.

The Christmas Party, also graced by our Honorary Vice-President, and with delightful music provided by the Havergal College Choir was another highlight of our activities. Nine hundred in number were able to be present on this colourful, joyous, festive occasion.

February 6th, 1977, being the 25th Anniversary of the accession of Queen Elizabeth II to the throne, ushered in a period of Silver Jubilee Celebrations, planned to extend over eighteen months, throughout Britain and the Commonwealth. In co-operation with the other Loyal Societies in Toronto, and the Province of Ontario, we have made formal requests to the responsible authorities for the privilege of hosting Her Majesty at a ceremony appropriate to the occasion, during her visit to Canada this year.

Meanwhile, joining with twelve other Loyal Societies, we were privileged to participate in a gala Silver Jubilee Dinner and Ball on St. George's Eve, April 22nd, 1977.

In looking ahead to the 75th Anniversary of the founding of The Empire Club of Canada, which will occur on November 18th, 1978, a formal invitation has been extended to His Royal Highness, The Prince of Wales to be our guest of honour. We have been advised that he will be willing to consider our invitation when he plans his program for that period.

Last April, I requested your support in attending as many meetings as possible, and your response has been most gratifying. Up to April 21st, 1977, we held twenty-six luncheon meetings with an average attendance of 321. By including the special dinner in Honour of Prime Minister Callaghan and our Christmas Party, we raised that average to 366 — certainly a commendable record for our club.

May I congratulate all who assisted in building our membership to a total of 2,542, an increase of 128 over last year. This includes 413 new regular members, seven new student members, and three new life members, in addition to renewals of 2,029 and ninety other life members.

During the past year we were saddened by the loss through death of our former Honorary Vice-President, the Hon. W. Ross MacDonald, P.C., C.D., Q.C., LL.D., former Lieutenant-Governor of Ontario, and Ernest Miles, Esq., our Honorary Historian. Their long years of faithful service have contributed greatly to the success of our club.

One year ago, your Board of Directors and Executive Officers decided to forego an increase in membership fees and to meet higher budgeted operating expenses by launchiny a determined drive for new members, and renewals, in addition to holding certain special events. I am happy to report that we have succeeded in meeting both objectives.

In brief, by adding to our membership list, and arranging three special functions at increased charges, revenues covered expenses, and members' equity at April 30th, 1977 is expected to approximate $26,000. (Final Audit: $27,241.)

Your Directors, at a meeting held on April 20th, 1977 approved the Treasurer's Report as of March 31st, 1977, and also accepted the recommendation of The Empire Club Foundation that we omit the Financial Statement from our Yearbook in order to expedite the printing and distribution of this year's volume. Copies of the audited statement for the year ending April 30th, 1977 will be available at our club office by June 30th for those who may be interested.

We are greatly indebted to The Empire Club Foundation, and I wish to record our sincere appreciation of their untiring efforts and continuous support in publishing our Yearbook and distributing complimentary copies to each of our members and to about 4,000 libraries from coast to coast, including every public, university, college, and high school library in Canada. The Empire Club Foundation is a registered charitable foundation and merits the support of all who are able to contribute.

Our efficient performance derives from the dedication of a large number of enthusiastic workers, whose objective it is to maintain that tradition of excellence for which the club has been known for almost 74 years. We acknowledge with gratitude the faithful support of all Past Presidents, Executive Officers, Directors, Committee Chairmen and

Committee Members, along with their secretarial staffs, Mrs. Eleanor Cook, our Executive Secretary, Mrs. Betty McAdam, our Office Secretary, and Mr. Leland Ausman, Secretary to our Board.

Much credit for the success of each meeting is due to the ever present genial support and co-operation of Mr. A. Gordon Cardy, Vice-President, Central Region, CP Hotels, General Manager of the Royal York Hotel, and his staff — Mr. Al Horbay, Mr. Adriano Ferreira, and Mr. Carlos de Casta. May I record our sincere appreciation for their efforts on our behalf.

In closing, may I say that the privilege of serving as your President has been a challenging and most pleasant experience.

All of which is respectfully submitted.

The above report was adopted.

MR. KARN:

It has been traditional that the Immediate Past President act as chairman of the Nominating Committee.

In spite of the added workload arising from his two recent appointments for which we congratulate him, Deputy Attorney General of the Province of Ontario, and Chancellor of McMaster University, Mr. H. Allan Leal, Q.C., LL.M., LL.D., has gladly undertaken this responsibility. I now ask him to present the report of the Nominating Committee.

REPORT OF THE NOMINATING COMMITTEE

MR. LEAL:

Mr. President: It is my privilege to present the report of the Nominating Committee which, in accordance with the provisions of our constitution, is to be composed of five members of the Board of Directors and four additional regular members of the club. The following persons served:

Members of the Board of Directors:

Mr. Robert L. Armstrong, Sir Arthur Chetwynd, Mr. A. Carlyle Dunbar, Brigadier General Reginald W. Lewis, Mr. H. Allan Leal (Chairman).

Representatives of General Membership:

Dr. Harold V. Cranfield, Maj. Gen. Bruce J. Legge, the Honourable Margaret Scrivener, M.P.P., Colonel Edward A. Royce.

Ex-Officio:

The President, Mr. William M. Karn.

Your Nominating Committee is required to place in nomination at this Annual Meeting the names of forty members, including at least four Past Presidents, for election as Directors, and it is required further to recommend one member for appointment as Honorary Auditor. Finally, your Committee is seized with the responsibility of recommending the names of members for appointment by the Board of Directors as Officers for the ensuing year.

The Committee is pleased to nominate the following as continuing Directors:

Col. S. F. Andrunyk
Mr. Donald H. Carlisle
Miss Catherine R. Charlton
Mr. Ian J. Collins
Mr. Jerry A. Collins
Dr. Clarence B. Crummey
Mr. Douglas L. Derry
Mr. Marcel A. Desautels
Mr. R. V. Doty
Lt. Col. R. G. Douglas
Mr. A. Carlyle Dunbar
Mr. John Fisher
Mr. Hugh R. Franks
Mr. Duncan Green
Mr. John D. Herrick

Mr. W. Malcolm McIntyre
Mr. Ian D. C. McPhail
Mr. Vladan Milic
Dr. James A. Parish
Mr. A. C. Ryley
Lt. Col. Michael A. Stevenson
Lt. Col. Hugh P. Stewart
Lt. Col. John G. B. Strathy
Mr. Gordon W. Swayze
Mr. Terrence Tyers
Rev. J. Robert Watt
Mr. J. A. William Whiteacre

As new members of the Board of Directors, we are pleased to nominate Setrak Adourian, Adourian Rug Galleries Limited; Dr. Ronald Christie; Donald F. Gray, Dupont of Canada Limited; Norman Hathaway, Norman Hathaway & Associates; and R. A. Robertson, Procter & Gamble Co. of Canada Limited.

The Past Presidents who will remain as Directors are the present incumbent of the office of President, William M. Karn, and Past Presidents Robert L. Armstrong, Sir Arthur Chetwynd and H. Allan Leal, Q.C.

We feel deeply privileged to recommend to the Board of Directors, for appointment as Honorary Officers, the following distinguished persons: Honorary President, the Right Honourable Jules Leger, Governor General of Canada; Honorary Vice-President, the Honourable Pauline McGibbon, Lieutenant Governor of Ontario; Honorary Solicitor, the Honourable John P. Robarts, Q.C.; Honorary Secretary, Willis L. Blair; Honorary Assistant Secretary, George O. Stafford; Honorary Treasurer, Marvin Gelber; Honorary Assistant Treasurer, the Very Reverend Ernest M. Howse. and Honorary Auditor, H. T. Jamieson.

Your Committee is pleased to nominate for consideration by the new Board of Directors, the following worthy members for appointment as Officers of the club: Secretary, Leland H. Ausman; Treasurer, Ronald Goodall, C.A., First Vice-President, Brigadier General Reginald W. Lewis; Second Vice-President, John A. MacNaughton; and for Third Vice-President, Charles C. Hoffman.

Mr. President, I know that all members of this club will share with me the sense of delight and satisfaction that I feel in the fact that "Bud" Hoffman has finally been seduced and has consented to let his name stand in nomination for an executive office in this institution.

Finally, Mr. President, the Committee is honoured and delighted to recommend the name of Peter Hermant as your successor in the high and important office of President of The Empire Club of Canada. Peter Hermant, if I may say so, is the worthy scion of an illustrious father, Sydney Hermant, President of this club in 1950-51. Indeed, Mr. President, all the Hermants, primus, secundus, tertius, that I have known have been clairvoyant, competent, public spirited and loyal citizens of this country. We anticipate with satisfaction and pride the prospect of Peter Hermant guiding the destinies of our club for the ensuing year, as its 75th President.

On behalf of the Nominating Committee I move the acceptance of this report.

MR. KARN:

It is moved by Mr. Leal and seconded by Mr. Armstrong that the report of the Nominating Committee be adopted. On behalf of the club, I am most pleased to thank Mr. Leal and his committee for their excellent work in enabling this report to be presented.

Are there any further nominations? Moved by Dr. James Parish, seconded by Sir Arthur Chetwynd that nominations be closed. Carried.

I would ask the Secretary, Mr. Ausman, to cast a single ballot for those directors named in the report of the Nominating Committee.

MR. AUSMAN:

Mr. President: As Secretary, and under the terms of Article III–3 of the Constitution of The Empire Club of Canada, I hereby cast this single ballot in favour of those whose names have been read by the Chairman of the Nominating Committee as members of the Board of Directors for 1977-1978.

MR. KARN:

I now declare these members duly elected as Directors of The Empire Club of Canada for the ensuing year.

I am extremely pleased to ask Mr. Peter Hermant, your president-designate, to address you.

MR. HERMANT:

Mr. President, Senator Forsey, distinguished head table guests, ladies and gentlemen: To be elected president of the Empire Club is obviously a great honour for me and one that I accept with pride. You will have heard me described, I am sure, as having been raised in the Empire Club tradition and, therefore, you will appreciate the feeling that I have now as I join that illustrious list of Empire Club presidents.

And before going further, I would like to pay tribute to a person who has just attained that most sought after of positions — that of Immediate Past President — Bill Karn.

Last year at this time, Bill Karn stood at this very podium and told us that he felt ill prepared to be president. Well, if that were true, he certainly did a magnificent job of covering up during the past season. I am sure you will agree with me that under Bill Karn's leadership we have had a magnificent and well-balanced range of speakers which has been a credit to the Empire Club and I am sure you would want to join with me in extending a vote of thanks to Bill Karn for an excellent job — well done.

My own history in the Empire Club, I suppose, began in the 1950-51 season when my father held this high office. As a youngster I often came to meetings with my mother and ordinarily occupied one of the balconies that occur in some meeting rooms on this floor. On one particular day a bagged lunch was brought for me, an inducement I suppose, to have me sit still and be quiet — and that lunch included an apple. You can imagine the consternation when I dropped the apple on the balcony floor and it started to role ominously towards the edge. Ladies and gentlemen, I am hopeful that I can manage to cause as much excitement in the coming season as I caused at that moment.

I look forward to my year as president and to the many challenges ahead. You have elected an outstanding Board of Directors whose help will not only be needed but whose help and advice I am frankly soliciting.

We are living in an exciting and in many ways frustrating period of Canadian history; we are looking forward to the celebration of the 25th anniversary of Queen Elizabeth's reign; we are looking forward to the celebration of the 75th anniversary of this club which occurs November 18th, 1978. And in keeping with our tradition of being on top of national events, we start off our next season on Thursday, May 19th in this hotel with a special luncheon in honour of Mr. Justice Thomas Berger, who will speak to us on that day concerning his much publicized and most important report which we anticipate will be released to the public on May 9th, more or less.

Now in order that we can start the next season in a formal and legal way, I would ask the newly elected board of directors to remain behind for a few minutes following this meeting for, as Bill Karn said last year at this time, we have work to do.

Thank you very much.

1977-1978 *Officers and Board of Directors*

Honorary President	THE RIGHT HON. JULES LEGER, C.C., C.M.M., C.D. GOVERNOR GENERAL OF CANADA
Honorary Vice-President	THE HON. PAULINE McGIBBON, O.C., B.A., LL.D., D.U.(OTT.), LIEUTENANT GOVERNOR OF ONTARIO

Officers

President	PETER HERMANT
First Vice-President	B.GEN. REGINALD W. LEWIS, C.D.
Second Vice-President	JOHN A. MACNAUGHTON
Third Vice-President	CHARLES C. HOFFMAN
Secretary	LELAND H. AUSMAN
Treasurer	RONALD GOODALL, C.A.
Honorary Secretary	WILLIS L. BLAIR
Honorary Assistant Secretary	GEORGE O. STAFFORD
Honorary Treasurer	MARVIN GELBER
Honorary Assistant Treasurer	VERY REV. ERNEST M. HOWSE, S.T.M., PH.D., D.D., LITT.D.
Honorary Auditor	H. T. JAMIESON, F.C.A.
Honorary Solicitor	THE HON. JOHN P. ROBARTS, P.C., C.C., Q.C.

Board of Directors

SETRAK ADOURIAN
COL. S. F. ANDRUNYK, O.M.M., C.D.
ROBERT L. ARMSTRONG
DONALD H. CARLISLE
SIR ARTHUR CHETWYND, BT.
CATHERINE R. CHARLTON
RONALD CHRISTIE, M.D.
IAN J. COLLINS
JERRY A. COLLINS
CLARENCE B. CRUMMEY, M.D., F.C.F.P.(C)

DOUGLAS L. DERRY, C.A.
MARCEL A. DESAUTELS, LL.M.
R. V. DOTY
LT. COL. R. G. DOUGLAS, O.ST.J., C.D.
A. CARLYLE DUNBAR
JOHN FISHER, O.C., LL.B., LL.D., D.S.S., D.LITT., D.U.(MONT.)
HUGH R. FRANKS, C.D.
DONALD F. GRAY
DUNCAN GREEN
NORMAN HATHAWAY
JOHN D. HERRICK
WILLIAM M. KARN
H. ALLAN LEAL, Q.C., LL.M., LL.D.
W. MALCOLM MCINTYRE
IAN D. C. MCPHAIL
VLADAN MILIC, F.R.A.I.C.
DR. JAMES A. PARISH
R. A. ROBERTSON
A. C. RYLEY, F.C.A.
LT. COL. MICHAEL A. STEVENSON, C.D.
LT. COL. HUGH P. STEWART, C.D.
JOHN G. B. STRATHY, C.D.
GORDON W. SWAYZE
TERRENCE TYERS
REV. J. ROBERT WATT, B.A., B.D.
J. A. WM. WHITEACRE, M.M., C.D., Q.C.

Immediate Past President WILLIAM M. KARN

Past Presidents H. ALLAN LEAL, Q.C., LL.D.
SIR ARTHUR R. T. CHETWYND, BT.
ROBERT L. ARMSTRONG

Constitution

As amended April 26th, 1973

ORGANIZATION OF THE CLUB

ARTICLE I

Name

1. The name of the club shall be The Empire Club of Canada.

Purpose and Object

2. The purpose and object of the club is to promote the interests of Canada and the British Commonwealth by the consideration and discussion of subjects and events relating thereto and by any other means appropriate to the facilities of the club.

MEMBERSHIP

ARTICLE II

Classes of Members

1. The membership of the club shall consist of:
   (a) Honorary members
   (b) Life members
   (c) Regular members
   (d) Corporate members

   All members of classes (a), (b), (c) must be the full age of eighteen years.

Honorary Members

2. Honorary members may be elected by the unanimous vote of those present at a meeting of the board of directors. They shall be exempt from the payment of fees but shall not have the privilege of voting or holding office and their membership shall be terminable at any time by a two thirds majority of those present at a meeting of the board of directors.

Life Members

3. Members of the club in good standing (other than corporate members) and other persons regularly proposed may be elected life members by a two-thirds majority of those present at a meeting of the board of directors. Life members shall pay such a fee in one sum as may be fixed from time to time by the board of directors.

Regular Members

4. Save as provided in Section 5 of this Article candidates for regular membership shall be proposed by a member in good standing and shall be elected by a two-thirds majority of those present at a meeting of the board of directors.
Save as provided in Section 5 of this Article regular members shall pay respectively such annual fees as may be fixed from time to time by the board of directors. Members elected after the first day of March in any year shall pay one annual fee only in respect of the period from the date of election until the thirtieth day of September in the following year. No member in arrears for fees after January 1 shall be considered in good standing.

Corporate Members

5. Any company, partnership or business organization shall be eligible for election as a corporate member. Applicants shall be proposed by a member in good standing and the application shall contain the names and positions of the persons nominated by the applicant as its representative regular members. The applicant and its nominated representatives shall be elected by a two-thirds majority of those present at a meeting of the board of directors. A corporate member shall be entitled to nominate such number of its representative regular members as may be fixed from time to time by the board of directors and shall pay such annual fee as may be fixed from time to time by the board of directors, provided that such fee shall not be less than the aggregate fees which would have been payable on an indi-

vidual basis by such representative members for the year in question. Save as in this section provided no fee shall be payable by or in respect of the representative regular members of a corporate member.

DIRECTORS

ARTICLE III

Duties and Powers

1. The affairs of the club shall be managed by a board of directors who may exercise all such powers and do all such acts and things as may be exercised or done by the club and are not by the by-laws or by law directed or required to be done by the club at a general meeting of its members. At all meetings of the board of directors the Chairman of the meeting shall have a casting vote.

Number and Quorum

2. The board of directors shall consist of forty members of whom sixteen shall constitute a quorum. The board of directors shall include at least four past presidents of the club, one of whom shall be the immediate past president and three others shall be the three past presidents immediately preceding the immediate past president if they are willing and able to act as directors.

Election of Directors

3. A nominating committee consisting of five members of the board of directors and four other regular members of the club shall be appointed annually by the board of directors at least thirty days prior to the annual meeting and shall prepare a list of nominations for directors for the ensuing year. The chairman or acting chairman of the nominating committee shall report the nominations of that committee to the annual meeting at which the board of directors shall be elected, but nothing herein shall preclude the nomination of other persons for the office of directors at the annual meet-

ing. If nominations do not exceed the number of directors necessary, the chairman of the meeting may instruct the Secretary-Treasurer to cast one ballot in favour of those so nominated and thereupon such persons shall be declared by the chairman to have been duly elected. No person shall be elected a director unless he is a regular member in good standing and is a Canadian citizen or a British subject.

Meetings of Directors

4. Meetings of the board of directors shall be called by the President, or on a requisition signed by three of its members. Written notice of such meetings shall be given to each director five days or more before the meeting is to take place, provided that a meeting may be held at any time if all the directors are present or if those absent have waived notice of or otherwise signified their consent to such meeting being held in their absence or have approved or signified their approval in writing to the proceedings taken at the meeting. The board may appoint a day or days in any month or months for regular meetings, at an hour or place to be named, and of such regular meeting, no notice need be given.

Casual Vacancies

5. In the event of any vacancy occurring in the office of director, the remaining directors may fill the vacancy from among the members for the unexpired portion of the term of office of the person whose office is vacant.

OFFICERS

ARTICLE IV

1. The officers shall consist of an Honorary President, an Honorary Vice-President, a President, First, Second and Third Vice-Presidents, an Honorary Treasurer, an Honorary Secretary, a Secretary and a Treasurer. The board of directors may from time to time elect or appoint such other

officers as it shall deem necessary. The President and the Vice-Presidents shall be directors of the club but other officers need not be directors. No person other than the Honorary President and the Honorary Vice-President shall be eligible for office unless he is a member in good standing. The President shall, when present, preside at all meetings of the members and of the board of directors. During the absence or inability to act of the President, the Vice-Presidents in order of seniority shall act as Chairman at such meetings and otherwise perform and exercise the duties and powers of the President.

Appointment of Officers

2. The board of directors shall meet as soon as convenient after their election for the purpose of appointing the officers of the club for the period ending April 30 in the next year but each officer shall continue in office until his successor is elected.

Casual Vacancies

3. In the event of a vacancy occurring in any office the board of directors may fill the vacancy for the unexpired portion of the term.

Honorary Auditor

4. An Honorary Auditor shall be appointed at each annual meeting. An audited statement of the finances of the club for the fiscal year shall be published annually and a copy shall be sent to each member.

COMMITTEES

ARTICLE V

1. The following standing committees and the chairman of each shall be appointed by the board of directors as soon as convenient after the election of the board:
   (a) Budget and Finance Committee

(b) Speakers Committee
(c) Membership Committee
(d) Constitution Committee
(e) Reception Committee
(f) Publicity and Public Relations Committee
(g) Year Book Committee
(h) Head Table Committee

provided that for any year the board of directors may by resolution elect not to appoint any one or more of such committees.

2. The President or the board of directors may from time to time appoint such other committees as may be deemed expedient.

MEETINGS OF MEMBERS

ARTICLE VI

General Meetings

1. The club shall hold general meetings weekly, if possible, from October to April, both inclusive, in each twelve months with such intermissions as may from time to time be determined by the board of directors. Special meetings of the club may be called at any time by the President.

Annual Meeting

2. The annual meeting shall be held not later than April 30 in each year. At the annual meeting a report of the year's proceedings and work shall be submitted by the President and this report shall be accompanied by an interim report from the Secretary-Treasurer.

Notice of Meetings

3. Written notice of all meetings of members shall be given all members of the club before the date on which the meeting is to be held. Such notice shall be sufficient if addressed to the members, and deposited post paid in the post office in Toronto. The accidental failure or omission to give notice to

any member shall not invalidate the proceedings at any meeting.

Quorum at Meetings

4. Sixteen members in good standing shall constitute a quorum at any meeting of the club, general, annual or special, and the Chairman of the meeting shall have a casting vote.

Limitation of Business at General Meetings

5. No business other than the hearing of the addresses shall be introduced at any meeting of the club by any person other than the chairman of the meeting, unless it has been submitted to the board of directors and received its approval.

FISCAL YEAR

ARTICLE VII

The fiscal year of the club shall end on such day in each year as may be fixed by the board of directors but unless so fixed by the board shall end on April 30.

AMENDMENTS

ARTICLE VIII

Subject to the provisions of The Corporation Act this constitution may be amended by the board of directors, but unless in the meantime confirmed by a majority of the members present in person at a meeting of the members duly called for that purpose, any amendment is effective only until the next annual meeting of members unless so confirmed thereat and, in default of such confirmation thereat ceases to have effect at and from that time, and in that case no new amendment of the same or like substance has any effect until confirmed at a meeting of the members.

Membership

1976–1977

HONORARY MEMBERS

Cartwright, The Hon. Mr. Justice J.R.
Comber, Walter W.
Gardiner, F.G., Q.C.
Gillingham, W/C Harold G.
Harpham, Horace
Jamieson, H.T., F.C.A.
Kemp, A.S.H.
McIntyre, W.M.
Michener, The Rt. Hon. Roland, C.C., P.C., Q.C., LL.D., D.C.L.
Miles, Ernest
Ralph, R. Ford

LIFE MEMBERS

Allan, William N.
Anderson, D.S.
Ash, W.M.V.
Bagnato, Victor V.
Bassett, J.
Batty, Joseph
Baxter, Ian S.
Beare, S.E.
Beatty, D.S.
Bennett, Dr. Ross C.
Best, Douglas W.
Boyles, Thomas A.
Brooks-Hill, F.B.
Burns, Charles F.W.
Burke, E.T.C.
Carter, Charles
Caswell, W. A., J.P.
Craig, Lt. Col. John A.D.
Cranfield, Dr. Harold V.
Crummey, Dr. Clarence B.
Deacon, Fraser
DelZotto, Elvio
Douglas, Lt. Col. R.G., O.S.T.J., C.D.
Du Vernet, E.A., Q.C.
Eaton, Donald L.H.
Eisen, Sol.
Fabbro, J.J.
Fletcher, S.S.
Frost, Lt. Col. C.S. Jr., Q.C.
Gillingham, W/C Harold G.
Gore, Graham M.
Griffin, Ian A.
Griffin, John W.
Hargraft, G.M.
Hellyer, Hon. Paul T., P.C., M.P.
Hermant, Adam B.T.
Hermant, John D.
Hermant, Peter
Hermant, Sydney
Hilborn, Col. Robt. H., M.V.O., M.B.E., C.D.
Hoffman, Charles C.
Holden, Waldo J.
Holliday, John R.
Howse, T.H.
Hughes, James O.
Hyland, Dr. Herbert
Inwood, A.E.M.
Jackman, H.N.R.
Jackman, H.R., Q.C.
Jackman, W. Henry
Joyce, James H.
Jupp, Lt. Col. D.H., O.B.E.
Karn, William M.
Kent, J. Palmer, Q.C.
Keys, N.A., M.C., Q.C.
Lambert, A.T.
Lawson, H.R.
Legge, Brig. Gen. B.J., Q.C., E.D.
Mackinnon, Lt. Col. A.P.
Martin, J. Andrew
Matthews, Maj. Gen. A.B.
Matthews, Brig. F.B., C.B.E., Q.C.
May, Miss Gladys
McCrimmon, Maj. J.S.G.
Mikkila, W.G.

Mylrea, A.J.
Neelands, D.G.
Pallett, John C.
Parish, Dr. James A.
Pearson, Prof. Norman, F.R.T.P.I.
Reid, W.H.
Reuber, Grant L.
Ridley, John B.
Rokeby-Thomas, The Rev. Dr. H.R.
Roman, S.B.
Royce, Col. E.A., E.D., C.D.
Rutherford, Lt. Col. R.C.
Sandy, J.
Shefsky, Samuel V.
Smeed, James J.R.
Stark, Hon. Mr. Justice Alexander, Q.C.
Strathy, Col. J.G.K.
Strathy, John G.B.
Sullivan, Senator J.A., M.D.
Thompson, Eric F.
Thomson, K.R.
Turnbull, R.
Turner, Capt. T.C., C.D., R.C.N.R.
Waldie, Gordon
Watkins, William B.
Webster, R.H.
Williams, J.K.
Winkler, Sydney
Wotherspoon, G.D.
Yamaguchi, Koichiro

REGULAR MEMBERS

Abel, Albert S.
Abernethy, Wilson
Abraham, John K.
Abrams, Alan W.
Ackermann, Rudolf
Adair, Joseph
Adam, James L.
Adams, George W.
Adams, J.C.
Adams, Ms. Patricia
Adams, W.H.
Adamson, Edwin F.
Adamson, G.A.
Adamson, Walter
Addison, Wm. G.
Ades, David
Adourian, S.
Adye, Rev. Canon E.R.G.
Agar, Harold A.
Aggett, Harold G.
Aitchison, Ian A.
Akerfeldt, Stephen C.
Alberts, Edgar T.
Albery, A.C.R.
Alboini, V.P.
Aldridge, Miss Doris
Alexander, H.H.
Ali, A. Winston
Allan, Dr. Blandford
Allen, C.R.E.
Allen, Ms. Donna C.
Allen, Miss Jane E.
Allen, John F.
Allen, Dr. Michael S., F.R.C.S.(C)
Alles, David K.
Allingham, N.W.
Allison, A.
Allport, D.A.
Allworth, Mrs. Mona C.
Alton, T.R.
Alway, Richard M.
Amato, L.
Ambrose, Graham H.
Ambrose, Sheriff P.J.
Amos, A.A.
Amos, J.L.
Ancuta, Shirley
Anderson, Allan J.
Anderson, Donald R.
Anderson, Douglas D.
Anderson, G. Bradley
Anderson, Dr. J.G.D.
Anderson, Mrs. Margaret
Anderson, Gen. W.A.B.
Andras, John
Andras, K. B.
Andrew, Donald E.
Andrunyk, S.F.
Angus, D.L.
Angus, Jas. K.
Anklewicz, Larry
Anthony, R.F.K.

Apple, B. Nixon, Q.C.
Appleton, C.N.
Appleton, D.C.
Archbold, Wm. D.
Archer, Vern
Archibald, C.R., Q.C.
Archibald, H. David
Armitage, Donald
Armour, A. Douglas
Armstrong, Arthur S.
Armstrong, G.E.
Armstrong, Gordon V.
Armstrong, G. Warren
Armstrong, Jas. A.
Armstrong, Michael M.
Armstrong, Robert L.
Armstrong, W. Jonathan
Arthur, J.G.
Arthur, Philip D.
Ashton, Mrs. Toni
Astley, D.B.
Atherton, C.
Atkins, David H.
Atkinson, David W.
Atkinson, Miss Linda
Attewell, W.C.
Ausman, Leland H.
Austin, J. Jarvis
Austin, Peter D.
Avery, William M.
Axford, Michael J.
Aymong, A.M.

Babensee, Robert W.
Back, Samuel
Badgley, F.H.
Baehr, Hans A.
Bahlman, Miss Myrtle
Bailey, H.V.
Bailey, John H.
Bailey, William H.C.
Bailie, A.A.
Bainard, Roy H.
Baker, Gordon Roy
Baker, Herb F.
Baker, J.J.
Bales, Dalton A.
Balfour, Ian C.C.
Balfour, Norman E.
Ball, Gordon R.
Ball, H. Graham
Band, Miss Sarah
Bankes, Mrs. Betty Jean
Bankes, J.M.
Banner, Dr. Mac
Barber, Col. J.R., E.D., C.D.
Barber, Margaret A.
Barber, William
Bark, Chad F.
Barltrop, C.S.
Barnard, Peter
Barnes, Mrs. Marjorie
Barr, Ms. Margaret
Barraclough, James B.
Barrett, L.C
Barrow, J.C.
Barselaar, Peter A.
Barstow, J.M.
Bassel, J.P., Q.C.
Bastien, Dr. Gerard
Batchelor, Gordon T.
Bate, Wm. B.
Bath, D.H.W.
Baxter, R.D.
Beamish, K.J.
Beange, Mrs. J. Edna
Beattie, A.L.
Beattie, Thomas J.
Beatty, James D.
Beatty, R.I.
Beauchamp, Walter N.
Beavis, Frederick J.
Beck, Howard L.
Becker, Mrs. Claire
Beckerman, Irving
Bedborough, Mrs. Cynthia
Bedbrook, Walter J.
Bell, B. Gen. George G., M.B.E., C.D.
Bell, J. Donald, Q.C.
Bell, Norman B.
Bell, Norman H.
Belyea, Abner B.
Ben, George
Bennett, Hon. Claude F.
Bennett, Chief Judge Colin E.
Bennett, David T.
Bennett, Ms. Jalynn H.
Bennett, Peter F.
Bennett, R.F.

Benson, Philip W.
Bentley, D. Fraser
Berghuis, Wm. W.
Bernardine, Ashley
Berry, Harold R.
Berry, Dr. Henry
Besko, Mrs. A.
Best, Dr. Charles Alexander
Best, Eileen
Betts, David W.
Biddell, J.L.
Bidel, William
Bielski, Casimir M.B., Q.C.
Biggs, G.L.
Biggs, Stanley C., Q.C.
Bilbrough, W.H.
Bilodeau, André
Binmore, David R.
Binnie, William Ian Corneil
Birch, Hon. Margaret
Bird, S.J. Glenn
Biringer, Paul P.
Birkenmayer, Mrs. S.A.
Birrell, Dr. R.G.
Bishop, George Robert
Bishop, N. Jane
Bjarnason, Thomas H.
Blachford, H.A.
Blaikie, Ross W.
Blair, Florence L.
Blair, S.M.
Blair, W. D'Arcy
Blair, Willis L.
Blane, Robert
Blaney, James William
Blay, J.A.
Bloemen, P.J.M.
Bloomberg, Lawrence
Boast, Keith E.
Boddy, A. Lloyd
Boddy, R. Paul
Bolliger, Heinz E.
Bongelli, Tello
Bonnycastle, Law C.
Bonus, W.H.
Book, Ira E.
Booth, Mrs. Margaret
Boraks, Richard R.
Borchers, Brigitta
Borins, Norman, Q.C.
Borinsky, Maxime
Borosa, Walter A.
Bosanquet, L.C.
Bot, William B.
Botnick, Harry P.
Boukouris, Paul G.
Bourne, F.R.
Bousfield, Mrs. John R.
Bowerman, Ms. Joyce E.
Bowes, James C.
Boyce, Olaf
Boyd, B.H.
Boyd, Winnett
Boyko, Jos., LL.D.
Boyle, J.A.
Bradley, Robert
Bradley, Robert A.
Bradshaw, Mrs. Marian
Bradstreet, Doris J.
Braithwaite, L.A.
Brannan, C.E.
Brant, Reuben
Bray, Harry S.
Breckenridge, P.D.
Breckenridge, R.J.
Brehaut, Prof. Willard
Brennan, Lt. Col. David
Brent, John E.
Brethour, E.J.
Breuer, K.
Briant, Prof. Constance
Bridges, R. John
Bright, John C.
Brissenden, W.G.
Britton, J.C.
Broad, R.L.
Brock, Frederick W.
Brodsky, Jack
Brook, Edward
Brooke, Mrs. Nancy C.
Brooks, Dr. C.E.
Brooks, Herbert
Brown, Arthur E.
Brown, Mrs. Barbara
Brown, Dr. C.A.
Brown, Colin M.
Brown, Brig. H.E., O.B.E., E.D., C.D.
Brown, Mannie
Brown, Murray D.

Brown, W. Stuart
Brule, J.A.
Brundage, C.
Brune, David
Brunskill, A.M., F.C.I.S.
Bryan, John
Bryant, G. Keith
Bryne, B. Mae
Bryson, Ms. Dorothy
Buchanan, W.W.
Buchinger, Alfred
Buddenhagen, W.C.
Bull, Mrs. Doreen
Bulmer, J.C.
Bundy, Robert G.
Bunting, Pearce
Bunton, James
Burden, Bruce C.
Burgess, A.C.
Burgess, C.N.
Burgess, H.T.
Burgess, Kenneth
Burnard, F.S.
Burnes, J.M.
Burnham, Ms. Elizabeth
Burns, George R.
Burns, Mrs. Hazel
Burns, James E.
Burns, Jeffrey
Burns, Lt. Col. L.J.W.
Burnside, E.G.
Burrow, Edward W.
Bursey, Morley B.
Burt, Miss M. Elizabeth
Burton, Lt. Col. G.A.
Bush, Jack
Buski, Richard S.
Bustin, Wendy D.
Butler, Ian
Butler, Joan Seeley

Cade, J.R.
Calderone, Gus V.
Caldwell, Doug
Cambridge, John Donald
Cameron, Donald Ross
Cameron, Edwin J.
Cameron, Major Rev. Ross K.
Campbell, D.L.
Campbell, E.M.
Campbell, Miss F.M.
Campbell, H.G.
Campbell, Jack
Campbell, Mrs. K.L.
Campbell, Miss Laird M.
Campbell, Mac D.
Campbell, R.Y.W.
Campbell, W. Clarke
Campling, Fred
Cane, A.
Cappe, Joe, B.COM.
Cappe, N.R., Q.C.
Carlisle, Donald H.
Carlson, Col. C.V.
Carnegie, A.D.
Carnegie, James G.
Carnwath, Mrs. Nancy
Carpenter, Dr. T.A.
Carr, E.P.
Carrie, Dr. Alan
Carrie, Mrs. Jean
Carroll, Peter J.
Carson, C.E.
Carter, Mrs. Dorothea
Carter, Mrs. Ella
Carter, Mrs. M. Olivia
Carter, Robert Brown
Carter, S. Owen
Cartwright, D.H.
Casey, E.M.
Cater, Gordon
Catto, Lt. Col. John, C.D.
Cavanagh, Ken
Cavelti, Peter C.
Cavoukian, A.
Chadwick, Derek T.
Chalmers, Floyd S.
Chalmers, Norman A.
Chambers, H.J.A.
Chandler, C. Howard
Chant, Dixon S.
Chapin, C.J.
Chapin, Vincent L.
Chapman, Mrs. Helen J.
Chapman, S.F.
Chapman, Wm.
Charlton, Ms. C.R.
Chartrand, Rupert Hugo
Chase, T. Millar
Chater, G. Richard

Chen, Mrs. Nellie
Cheshire, Susan W.
Chester, Lane R.
Chestnutt, James T.
Chetwynd, Sir Arthur R.T.
Chetwynd, Robin
Chisholm, Robert W.
Chisholm, Tim
Chisholm, William J.
Chittick, J. Robert
Chote, Rev. Canon Arthur A.
Christian, Francis G.
Christian, Brig. J.D., C.B.E.
Christie, Huntley
Christie, Col. J.H., M.C., E.D.
Christie, Dr. R.J.
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The Empire Club Foundation has changed its date for reporting contributions in these pages to April 30th. This is consistent with the Foundation's fiscal year. Since the annual campaign for gifts did not begin until May, 1977 no gifts are being reported in this annual volume of addresses. The next book will list the names of all contributors during the period September 1st, 1976 to August 31st, 1977.

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